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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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September 8, 2008

Board of Directors
City of Indianapolis
200 East Washington Street, Suite 2222
Indianapolis, Indiana 46204

We have reviewed the audit report prepared by KPMG, LLP, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the City of Indianapolis, as of December 31, 2006 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report, the Single Audit Report and the Status of Prior Year Findings are filed with this letter in our office as a matter of public record.

We call your attention to the twenty-nine findings in the Single Audit Report, on pages 13 through 41. Thirteen of those findings represent significant deficiencies in internal control over financial reporting. Ten of those thirteen represent material weaknesses. The auditors have issued a qualified opinion on compliance with applicable requirements for three of the seven major programs.

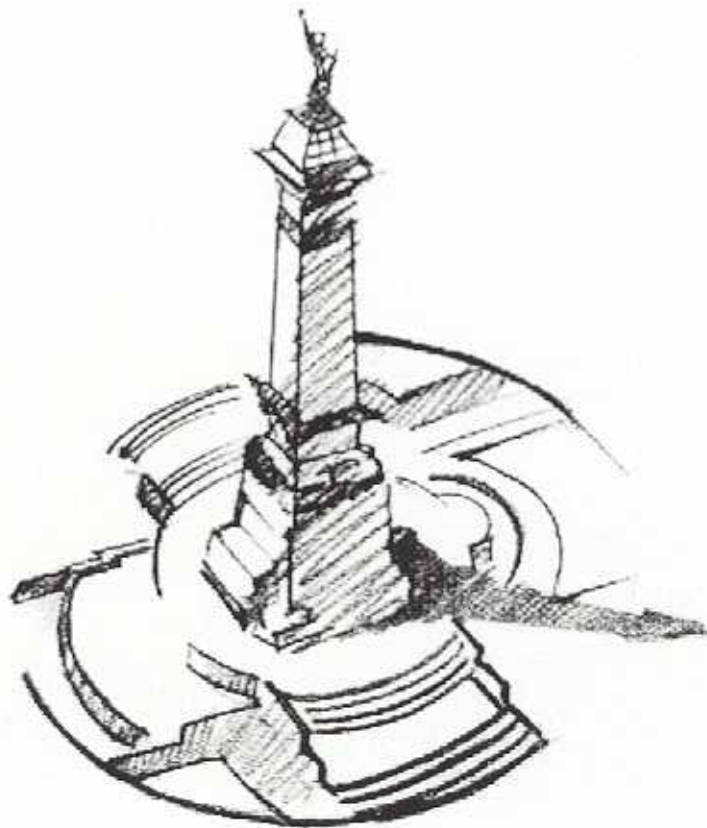
STATE BOARD OF ACCOUNTS

The City of Indianapolis, Indiana

(Component Unit of the Consolidated City of Indianapolis - Marion County)

Bart Peterson
Mayor

Robert J. Clifford
Controller



Comprehensive Annual Financial Report
Year Ended
December 31, 2006

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

City of Indianapolis, Indiana

(Component Unit of the Consolidated City of Indianapolis-Marion County)

Year Ended December 31, 2006

Office of Finance and Management

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Introductory Section



September 30, 2007

To the Honorable Mayor Bart Peterson, Members of the City-County Council, and Citizens of Indianapolis, Indiana

I submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Indianapolis (City) for the fiscal year ended December 31, 2006. The City is a component unit of the Consolidated City of Indianapolis – Marion County Reporting Entity. This report was prepared by the Office of Finance and Management. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Controller of the City of Indianapolis. The data, as presented, is accurate in all material respects. It is presented in a manner designed to set forth the financial position and results of operations of the City. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included.

The CAFR conforms to the standards for financial reporting of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). There are three main sections to this report. The Introductory Section includes this letter, the Certificate of Achievement for Excellence in Financial Reporting, a description of the government and related taxing districts, a list of elected officials and the City's organizational charts. The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements for the City, and supplementary information. The Statistical Section includes selected financial and demographic information presented on a multi-year basis. The MD&A can be found beginning on page 3.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in a separate report.

This report contains all funds of the City. The City operates under an elected Mayor and City-County Council (29 members) form of government. The City provides services in public safety, public works, health and welfare, cultural and recreation, urban redevelopment, housing, and economic development. The City operates public housing facilities and a waterworks facility.

ECONOMIC CONDITION AND OUTLOOK

The year 2006 was prodigious for economic development in the Indianapolis Metropolitan Area. The City of Indianapolis and Indianapolis Economic Development Corporation, a privately funded, not-for-profit organization dedicated to strengthening economic development in the Indianapolis region, helped 52 firms locate or expand in Indianapolis, creating over 5,000 new jobs, resulting in a capital investment of over \$600 million.

The Indianapolis region was recognized for outperforming its surrounding states by four separate research bodies:

- **Brookings Institute:** According to the Brookings Institute report released in July 2006, Indianapolis was one of only six cities to experience enough job growth in advanced services positions to offset employment losses in manufacturing, and it ranked number one in net gain of advanced service jobs, such as engineering, adding 34,500 positions.
- **Federal Reserve of Chicago:** In June 2006, the Federal Reserve of Chicago found that the Indianapolis Metropolitan area outperformed other cities and was the only large city tracked by the Chicago Fed to experience job growth between 2000 and 2005.
- **Forbes Magazine:** In May 2006, *Forbes Magazine* named Indianapolis as one of the 10 best places in America to start a business or a career.
- **Kiplinger's:** The new *Kiplinger's* survey ranked Indianapolis as one of the top 14 "Smart Places to Live" in the country.

Indianapolis has continued to capitalize on its competitive edge by being recognized as an emerging cluster in the life sciences initiative. According to *Business Facilities Magazine*, Indianapolis is a thriving location for life sciences companies seeing a business climate that encourages entrepreneurial efforts and provides unmatched support for start-ups and established firms.

Indianapolis is a progressive city located in a state within a day's drive of 80% of the United States population. Evidence of the city's success can be seen in several projects that are currently underway.

The Indianapolis International Airport is undergoing a \$1 billion renovation and in 2005 began construction on a spectacular new passenger terminal that is scheduled for completion in 2008. In 2005, a record 8.5 million passengers traveled through the airport, the third consecutive year of significant growth. Conversely increasing with Indianapolis' air volume, the soon-to-be completed terminal will contain 40 more gates than does the current airport. The renovation is expected to lure even more passengers and visitors in years to come. In addition to the expansive commercial airline industry, Indianapolis also plays host the world's 2nd largest FedEx distribution hub, located adjacent to Indianapolis International Airport. This extensive hub allows Indianapolis based businesses to thrive in the ever globalizing economy.

The new Lucas Oil Stadium, a retractable roof sports facility currently under construction that will replace the RCA Dome, is scheduled to open in the fall of 2008 and will be the new home to the NFL's Indianapolis Colts. Lucas Oil Stadium's seating capacity will be 63,000 with the ability to expand to 70,000. With the completion of Lucas Oil Stadium, the city is poised to host a future Super Bowl, which could generate approximately 98,000 visitors and more than \$260 million in economic impact.

Once Lucas Oil Stadium is built and operable, the RCA Dome will be demolished, clearing the way for the expansion of the Indiana Convention Center. When completed in 2010, the Convention Center will feature 83 meeting and ballroom spaces and 564,000 square

feet of exhibit space. According to the Indiana Convention and Visitors Association, the stadium and convention center expansion will give Indianapolis a facility that has 747,000 square feet of space for trade shows and 131,000 square feet of meeting space. It will be the 16th largest facility in the country, but physically connected via skywalks to more hotel rooms (4,700) than any convention center in the United States.

The new stadium and convention center will be a catalyst for business and industry in Indianapolis. An analysis by PricewaterhouseCoopers estimates that an expanded convention center could draw an additional 18 to 23 major conventions and trade shows combined annually and four to five consumer shows. The extra business is estimated to generate \$165 million in economic impact to the area.

Indianapolis continues to attract thousands of visitors through its sporting events and cultural initiatives which help boost the local economy each year.

Indianapolis is known as the “Motor Sports Capital of the World” and the Indianapolis Motor Speedway is home to the world’s two largest single-day sporting events – the Indianapolis 500 and the Allstate 400 at the Brickyard. The Indianapolis 500 alone generates an economic impact of more than \$330 million each year.

On September 14, 2008, Indianapolis will host the most sophisticated, prestigious motorcycle racing series in the world – the Red Bull Indianapolis GP. Once again, motorcycle racing will return to the Indianapolis Motor Speedway for the first time in nearly a century. Moto GP racing will introduce Indianapolis to thousands of visitors and is expected to generate approximately \$100 million for the local economy.

Indianapolis continues to grow its reputation as a nationally renowned destination for arts and culture and the Cultural Trail will take this effort to a new level. The Indianapolis Cultural Trail broke ground in April 2007 and is a 7.5 mile path that will be the downtown hub for Central Indiana’s greenway trail system and an icon for urban development and cultural attractions that have come to define our city. The five downtown cultural districts connected by the Cultural Trail include Fountain Square, Indiana Avenue, Massachusetts Avenue, The Canal and White River State Park and the Wholesale District. The Cultural Trail will also connect with the Monon Trail, allowing visitors easy access to Broad Ripple Village from downtown.

Through the city’s continuing efforts, Indianapolis is poised for future job growth, economic opportunities and a thriving quality of life.

- Indianapolis-Carmel is ranked 19th for ‘Best Places to Live,’ *Money Magazine* 2007
- Indianapolis is ranked as a ‘Top 10 Auto Hot Spot,’ *Area Development*, March 2007
- The Indianapolis MSA was a ‘Ninth Best Metro’ in 2006, *Site Selection Magazine*, March 2007
- The Indianapolis MSA has the ninth highest total number of life sciences employees in the nation, *Area Development Magazine*, March 2007

Long-term Financial Planning

The Office of Finance and Management is responsible for long-term planning. Five year forecasts are used to project fund balances and identify potential shortages. As shortfalls are identified, plans are made to find new revenue sources or make the necessary budget

cuts to manage the fund balances. For example, during 2006 the City's five year forecast identified the pressing needs for funding public safety and criminal justice system. These needs included the need to find a funding source for our public safety pensions. In 2007, the City was successful in getting new legislation enacted that allowed the City to fund its public safety needs with a new Public Safety Income Tax. In July of 2007, this new revenue source was adopted.

Entering 2006, one of our primary unresolved challenges was the previously mentioned unfunded police and fire pension obligations. The recently adopted Public Safety Tax will provide the City the needed \$30 million annually to fund these pensions.

Recent changes in state law regarding how property is assessed and taxed have also challenged the City and other local units of government. The 2006 pay 2007 assessments in many counties across the state have been delayed or ordered to be done over by the Indiana Department of Local Government Finance. Marion County is one of the counties that have been required to redo the 2006 assessments. The 2006 assessments are expected to be completed by February of 2008. In the meantime, taxpayers have been asked to pay their 2006 property tax bills. A third reconciling bill will be issued in the early 2008. The delayed collection of property tax levies has had a negative impact on the City. However, by holding the line on spending, extending the maturity of our tax warrants and the use of the City's reserves, the overall impact of the delayed assessments will not have a material impact on the City's financial condition.

Another change in state law limits property tax rates to 2% of the assessed valuation of the residential property and 3% of commercial property beginning in 2010. The City has taken aggressive steps to identify efficiencies and alternative revenues. In the 2007 legislative session, the General Assembly provided local governments the option of implementing a new Local Option Income Tax to replace/offset property tax revenues. Pending the completion of the 2006 assessment, the City will examine its options and the effect of the 2% property tax limit.

Relevant Financial Policies

Internal Control Structure

Management of the City is responsible to establish and maintain an internal control structure that ensures the assets of the government are protected from loss, theft or misuse and ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

Budgetary control is maintained for certain funds, at the object level of expenditure by the encumbrance of purchase orders against available appropriations. The City uses the Governmental Accounting Standards Board expenditure terminology (object) for financial reporting purposes and State of Indiana expenditure terminology (character) for internal accounting purposes. Capital projects reimbursable by grant revenues are encumbered for the total amount of the estimated project cost. Outstanding encumbrances to be financed from future revenues, other than approved grant revenues and certain Consolidated County budgetary account reimbursements are recorded in their entirety as a reservation of fund balance.

Cash Management

Due to the fluctuating market conditions, excess cash during the year was invested in U.S. Treasury and Agency Notes and Repurchase Agreements, which were generally for periods of two years or less. It is City policy to invest certificates of deposit with local, federally insured banks that have a principal office within the county and have been approved by the Marion County Board of Finance.

Risk Management

The City is self-insured for losses arising from worker's compensation, automobile liability, and public liability claims. This program is maintained by the Department of Administration and its Risk Manager. Internal Service funds are used to record the premiums charged to the operating departments and the claims expense.

Major Initiatives

Eliminating combined sewer overflows began in 2000 and continues to be a major initiative for the City. The "Clean Streams" team has put together a twenty year plan to eliminate the dumping of raw sewage into the City's rivers, clean up failing septic systems and improve flood control and damage. The twenty year capital cost of Clean Streams is in excess of a billion dollars. The costs will be funded primarily through user fees which have been increased to fund projects to date.

Great Indy Neighborhoods is a citywide effort that promotes building thriving, safe and healthy communities and encourages residents to get involved in their neighborhoods. It has involved the work of neighborhood associations, not-for-profits and other community organizations. This new program will be aided by a finance plan that first proved successful in Fall Creek Place. The cost of sidewalk repair, street repaving, street lights, drainage, new building facades, boosting commercial development, rehabilitation of decaying homes, and other improvements will come from the increased tax revenues generated by redevelopment. Over the next three years, the City will target six to ten neighborhoods for this program.

Indianapolis Works was initiated in 2004 by Mayor Peterson to complete the unification of City and County government. As originally proposed, Indianapolis Works would result in \$35 million in annual savings from the consolidation of various City and County functions. Completion of the plan is contingent upon legislative approval. In 2005, the legislature approved the creation of the Office of Finance and Management to oversee all City and County budgets. The Office of Finance and Management became operational in July of 2005, and put together the 2006 operating budgets for both the City and Marion County. Operational savings were realized in the first year.

In addition, the legislature gave the City-County Council the ability to combine the Indianapolis Police Department and the Marion County Sheriff's Department. The City-County Council authorized the police consolidation in December of 2005 with the consolidation going into effect on January 1, 2007. The merger has enabled the City to get over 100 additional police officers onto the streets.

Two former township fire departments have been merged into the Indianapolis Fire Department. The merger with the Washington Township Fire Department went into effect on January 1, 2007. The Warren Township merger became effective as of July 1, 2007. Together the merger of these two departments has provided approximately \$19 million of annual operational savings.

Other aspects of Indianapolis Works yet to be authorized by the General Assembly include:

- The consolidation of the remaining separate fire departments in Marion County into the Indianapolis Fire Department;
- Elimination of nine elected township trustees and boards in Marion County, in favor of two trustees and boards for delivering poor relief; and
- Elimination of nine elected township tax assessors and moves those functions and resources under the existing County Assessor.

OTHER INFORMATION

Audit Committee

The City's Audit Committee was formalized by City-County Council ordinance to provide an independent review body for the audit activities of the City. At December 31, 2006, the Audit Committee members were:

Ms. Jenna Walls, Chairperson	Senior Consultant, Health Management
Mr. William Sheldrake	President, Policy Analytic, LLC
Mr. Justin Ohlemiller	Deputy Chief of Staff, Mayor's Office
Ms. Jackie Nytes	City-County Councillor, City of Indianapolis - Marion County
Mr. George A. Farley	Tax Consultant, George A. Farley Inc.
Ms. Barbara A. Lawrence	Director, Indianapolis Bond Bank
Ms. Marilyn Pfisterer	City-County Councillor, City of Indianapolis - Marion County

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Indianapolis for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and

efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

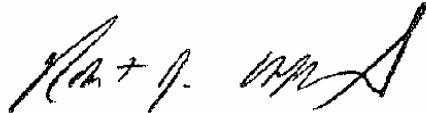
A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

This report is the combined effort of many people: Office of Finance and Management accountants, internal auditors and departmental chief fiscal officers and others. I appreciate their diligent and conscientious work, as well as the efforts of our independent auditors, KPMG LLP.

Mayor Peterson, I also appreciate your continued guidance, interest and support of excellence in accounting and reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robt J. Clifford", written in a cursive style.

Robert J. Clifford

Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Indianapolis
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF INDIANAPOLIS

ORGANIZATION OF LOCAL GOVERNMENT AND TAXING DISTRICTS

Introduction

The City of Indianapolis (City) was originally incorporated in 1832. It is the largest city in the State of Indiana and the twelfth largest city in the nation with a population of 795,000 and a metropolitan area population of approximately 1.6 million people. The City encompasses a land area of 402 square miles, making it the eighth largest city in the nation in terms of land area. The City, located at the geographic center of the state, is the State Capital and also serves as the physical, economic, and cultural capital. Indianapolis has a stable and diversified economy with employment rates and income levels consistently above the national averages.

Form of Government

On January 1, 1970, the governments of the City and that of Marion County were unified and their form of service delivery consolidated, thereby extending the City's boundaries to generally coincide with those of the County. Four municipalities (Beech Grove, Lawrence, Speedway, and Southport) located within the County boundaries were specifically excluded from most functions of the consolidated City by the consolidating act. The consolidated government provides for a Mayor and a twenty-nine member legislative council. The Council consists of twenty-five councilors elected from single-member districts and four councilors elected at large. Because the Mayor's powers extend to the entire county, residents of the Town of Speedway and the Cities of Beech Grove, Lawrence, and Southport, the municipalities not affected by the reorganization, vote for the Mayor as Chief County Executive as well as for the councilors at-large.

Since adoption of the consolidated form of government for the City, governmental services within the area of Unigov are provided by 46 different units of local government, including the consolidated City, Marion County, 5 independent municipal corporations, 11 school corporations, 9 townships, 12 towns, the 4 municipalities excluded from the consolidated City of Indianapolis, 2 library boards and one conservancy district. Within the consolidated City, special taxing districts were created to coincide with user benefit district boundaries then existing or as extended by the consolidating act. Boundaries of the various districts are such that a resident may be a member of one district and not another. Therefore, the resident's geographic location within the County determines the governmental unit and taxing district rates to be combined in calculating the specific tax rate. As a result of the varying areas in which services are provided by the 46 different governmental units, Marion County is broken down into 61 different geographical areas for purposes of tax rate determination.

The maps on pages XVII and XIII illustrate the relationship of the described taxing units.

The following taxing units are within the consolidated City and all except the Consolidated County and the special service districts can issue bonds:

	<u>Map</u>		<u>Map</u>
Civil City	2	Flood Control District	1
Consolidated County	1	Metropolitan Thoroughfare District	1
Redevelopment District	2	Police Special Service District	5
Solid Waste Collection Special Service District	7	Fire Special Service District	6
Solid Waste Disposal Special Service District	2	Park District	1
Sanitary District	8	Public Safety Communications & Computer Facilities District	1

The Metropolitan Thoroughfare District, Flood Control District, Park District, and Public Safety Communications & Computer Facilities District are special taxing districts, the boundaries of which are coterminous with the boundaries of Marion County.

The Indianapolis Redevelopment District and the Solid Waste Disposal District are special taxing districts; the boundaries and taxable property of which are coterminous with the boundaries of the City. The Redevelopment District includes a Consolidated Tax Allocation Area, which captures incremental increases in assessed valuation for the repayment of the Tax Increment Finance Bonds.

Other Governmental Units

The Consolidated City of Indianapolis is within the boundaries of Marion County, as are the following:

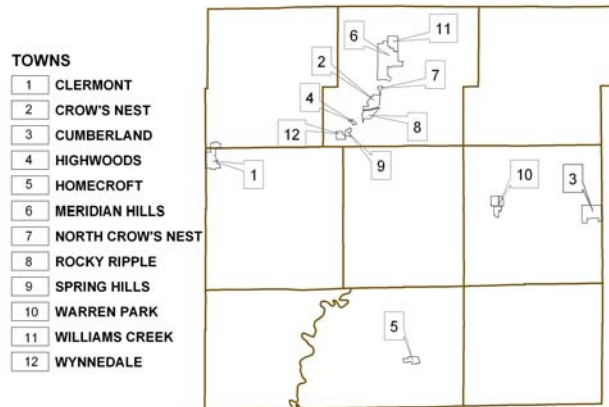
- **Marion County** as a governmental unit provides services such as courts, sheriff, tax assessment and collection, etc., not otherwise provided by other governmental units.
- The **Capital Improvement Board of Managers** is a separate and distinct municipal corporation with territory coterminous to the territory of Marion County. The Board is authorized to finance, construct, equip, operate, and maintain any capital facilities or improvements of general public benefit or welfare which would tend to promote cultural, recreational, public or civic well-being of the community. The Board operates facilities used for sports, recreation, and convention activities in downtown Indianapolis. The **Marion County Convention and Recreational Facilities Authority** was created in 1985 under applicable State statutes to provide certain financing for projects of the Capital Improvement Board.
- The **Indianapolis Airport Authority** and the **Health and Hospital Corporation of Marion County** are separate and distinct municipal corporations with territory coterminous to the territory of Marion County. The Airport Authority was established for the general purpose of acquiring, maintaining, operating, and financing airports and landing fields in and bordering on Marion County. The Airport Authority bonds are general obligations payable from unlimited ad valorem taxes assessed on all taxable property of Marion County; however, in practice the bonds have been paid from the net revenues of the Airport Authority. The Health and Hospital Corporation was given the mandate to provide preventative and curative health programs for the residents of Marion County, including indigent health care.

- The **Indianapolis-Marion County Building Authority** is a separate and distinct municipal corporation that acts as landlord for the City-County Building. The County pays 65% and the City pays 35% of the total lease rental. The Authority also has outstanding bonds payable from lease rentals (which are paid from taxes levied) from Marion County for the Marion County Jail expansion, and from the City for the central maintenance garage. Minor portions of Authority facilities are leased to other units of government and private parties.
- The **Indianapolis Public Transportation Corporation** (IndyGo) is a separate and distinct municipal corporation with territory coterminous to the territory of the Consolidated Civil City of Indianapolis. IndyGo provides public transportation service within Marion County.
- The **Indianapolis Marion County Public Library** is a separate and distinct municipal corporation, the territory of which includes the property in Marion County, excluding the City of Beech Grove and the Town of Speedway.

There are also several separate school districts in Marion County. In addition to the general obligation bonds of these school districts, various school building corporations have outstanding bonds payable from lease rentals (which are paid from taxes levied) from school districts for the lease of school buildings constructed by the building corporations.

See page XIX for the Unigov Organization Chart and page XX for the Consolidated City of Indianapolis Organization Chart.

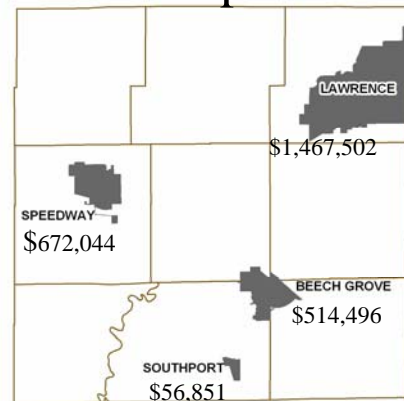
Map 1



**MARION COUNTY
AND OTHER
INCLUDED TOWNS**

Marion County \$39,884,933

Map 2

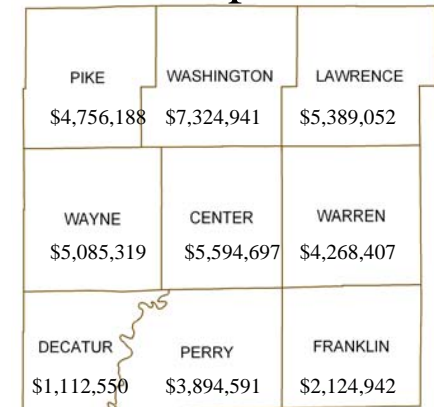


**CONSOLIDATED
CITY OF INDIANAPOLIS**

City of Indianapolis \$37,174,040

Excluded Cities and Towns \$2,710,893

Map 3



TOWNSHIP

NOTE: See Statistical Schedule 13 on pages 156, 157 and 158 of Part III of this annual report. The assessed valuation figures are for March 1, 2005 valuations for taxes collectible in 2006.

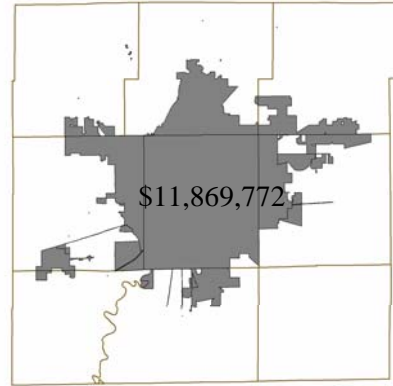
Map 4



LIBRARIES

Beech Grove	\$481,147
Speed Way	\$672,044
Marion County Libraries	\$38,731,741

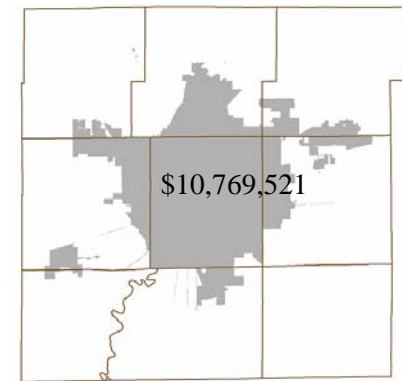
Map 5



INDIANAPOLIS

POLICE SERVICE DISTRICT

Map 6

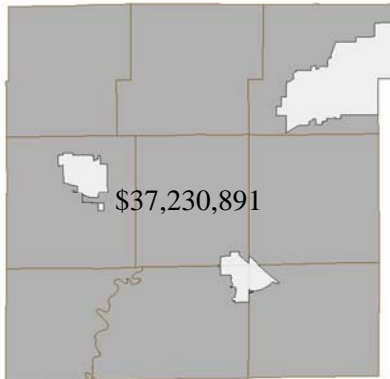


INDIANAPOLIS

FIRE SERVICE DISTRICT

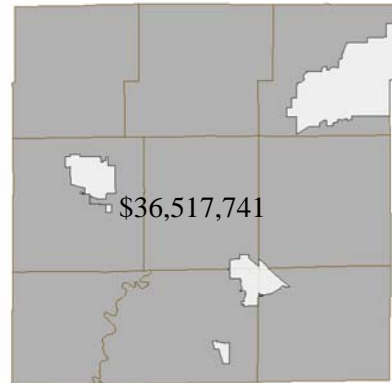
(Outside of this district, townships and excluded cities and towns provide the fire service)

Map 7



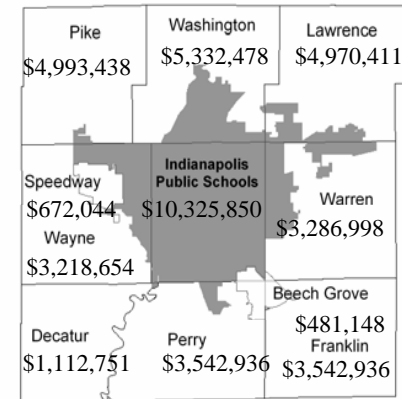
**INDIANAPOLIS SOLID WASTE
SPECIAL SERVICE DISTRICT**

Map 8



**INDIANAPOLIS
SANITARY DISTRICT**

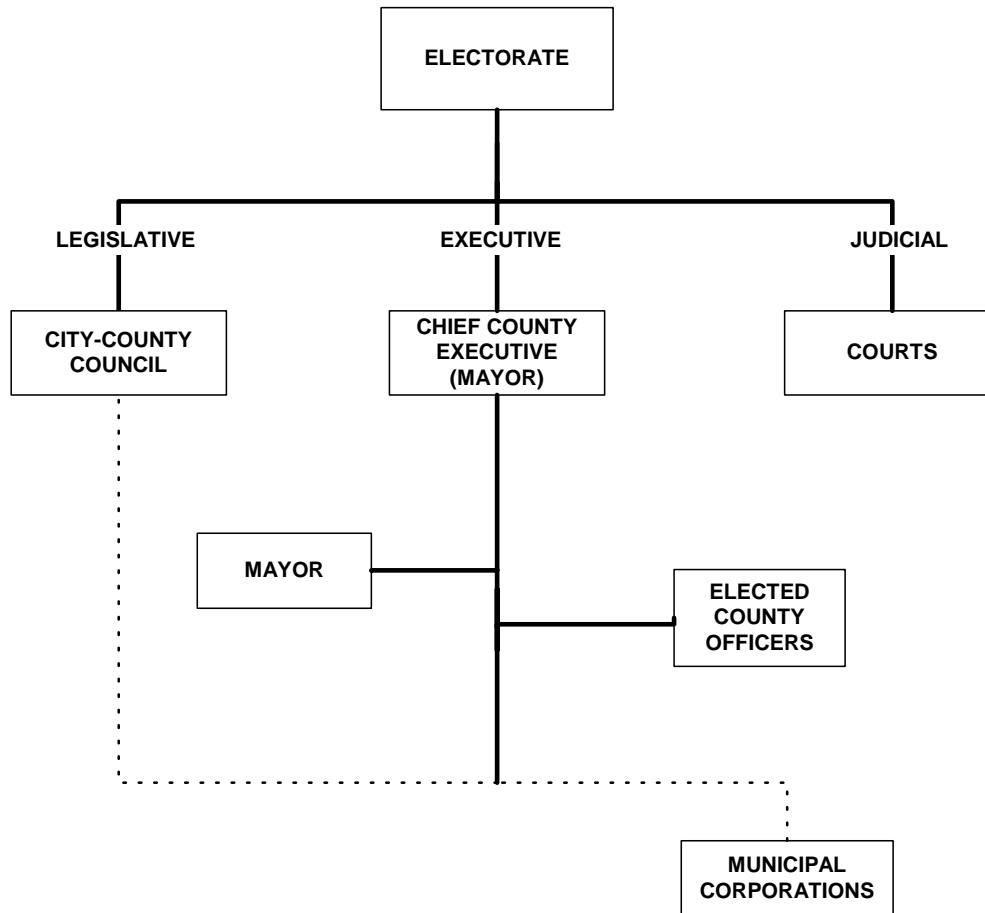
Map 9



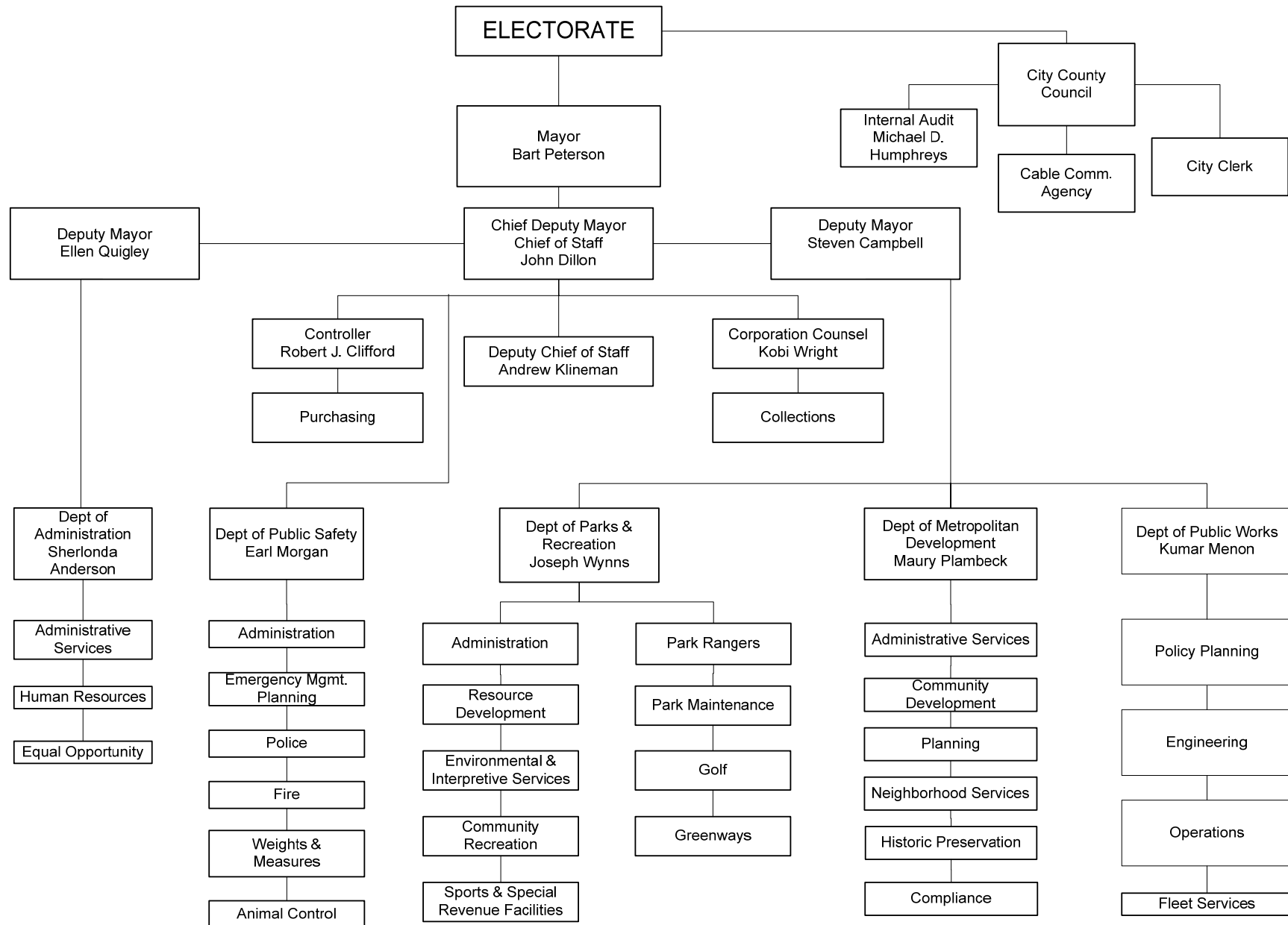
SCHOOL DISTRICT

NOTE: See Statistical Schedule 13 on pages 156, 157 and 158 of Part III of this annual report. The assessed valuation figures are for March 1, 2005 valuations for taxes collectible in 2006.

**UNIGOV ORGANIZATIONAL CHART
CONSOLIDATED GOVERNMENT FOR INDIANAPOLIS-MARION COUNTY**



City of Indianapolis Organization Chart
December 31, 2006



CITY OF INDIANAPOLIS
SCHEDULE OF ELECTED AND APPOINTED OFFICIALS
December 31, 2006

ELECTED OFFICIALS*

Name	Title	Service	Occupation
Bart Peterson	Mayor	7	Mayor and Chief County Executive
Monroe Gray, Jr.	City-County Council President	15	Indianapolis Fire Department, Division Chief
Joanne Sanders	City-County Council Vice President	7	International Representative, International Alliance of Theatrical Stage Employees
Patrice Abdullallah	City-County Councillor	3	CEO of a Midwest Meat Processor
Paul Bateman	City-County Councillor	1	Retired
Dr. Philip C. Borst	City-County Councillor	27	Veterinarian, Shelby Street Animal Clinic
Greg Bowes	City-County Councillor	3	Attorney
Rozelle Boyd	City-County Councillor	39	Retired
James Bradford	City-County Councillor	11	Owner, The Whistle Stop Restaurant
Vernon Brown	City-County Councillor	3	Indianapolis Fire Department, Battalion Chief
Virginia J. Cain	City-County Councillor	3	Civic Worker and Homemaker
Bob Cockrum	City-County Councillor	11	Retired
Lonnell Conley	City-County Councillor	7	Retired
N. Susie Day	City-County Councillor	3	Accountant
Sherron Franklin	City-County Councillor	3	Indianapolis Police Department Officer
Ron Gibson	City-County Councillor	7	Self Employed
Scott Keller	City-County Councillor	3	Appraiser/arts; Adjunct Prof. Of Art History, Herron School of Art of Indiana University
Lance Langsford	City-County Councillor	7	Indianapolis Fire Department
Dane Mahern	City-County Councillor	3	Human Resource Consultant, City of Indianapolis
Angela Mansfield	City-County Councillor	3	Attorney
Lynn McWhirter	City-County Councillor	7	Asst. Trustee, Wayne Township Trustee's Office
Mary Bridget Moriarty Adams	City-County Councillor	19	Human Resources Manager, Multiple Sclerosis Foundation
Jackie Nytes	City-County Councillor	7	Adj. Faculty, Graduate School of Library Sciences, Indiana University Purdue University at Indianapolis
William C. Oliver	City-County Councillor	3	Retired

CITY OF INDIANAPOLIS
SCHEDULE OF ELECTED AND APPOINTED OFFICIALS (Cont.)
December 31, 2006

ELECTED OFFICIALS*

Name	Title	Service	Occupation
Marilyn Pfisterer	City-County Councillor	3	Business woman, civic worker
Lincoln Plowman	City-County Councillor	3	Marion County Sheriff's Department
Isaac Randolph, Jr.	City-County Councillor	3	Indianapolis Fire Department
Earl Salisbury	City-County Councillor	3	Wayne Township Assessor's Office
Scott G. Schneider	City-County Councillor	7	Vice President of Sales, Mister Ice of Indianapolis
Mike Speedy	City-County Councillor	3	Owner, Real Estate Consulting and Development

Michael A. Rodman Ex-Officio City Treasurer 2 Marion County Treasurer

* The term of office for all elected officials expires December 31, 2007 except for the Marion County Treasurer, whose term expires December 31, 2008.

APPOINTED OFFICIALS

Name	Position	Number of Years in This Position	Number of Years Associated with City of Indianapolis - Marion County
John Dillon	Chief Deputy Mayor/Chief of Staff	1	1
Steven Campbell	Deputy Mayor of Neighborhoods	2	7
Ellen Quigley	Deputy Mayor of Public Policy	1	5
Robert J. Clifford	Controller	2	8
Kobi Wright	Corporation Counsel	3	5
Sherlonda Anderson	Director of Administration	1	4
Maury Plambeck	Director of Metropolitan Development	7	18
Kumar Menon	Director of Public Works	1	14
Earl Morgan	Director of Public Safety	1	6
Joe Wynns	Director of Parks & Recreation	7	36
Jean Milharcic	Clerk of the City-County Council	3	3
Michael D. Humphreys	Administrator of Internal Audit	25	25

CERTIFIED PUBLIC ACCOUNTANTS KPMG LLP

CONSOLIDATED CITY OPERATIONS

Executive & Legislative

The Mayor is the chief executive officer of the consolidated City. The Mayor may serve unlimited four-year terms and enjoys wide appointive powers, including the right to name deputy mayors, department heads, and many board and commission members. (The deputy mayor and department director appointments are subject to approval by a majority of the City-County Council). The Mayor also appoints the Controller and the Corporation Counsel for the consolidated City.

The Mayor controls the major administrative functions of the consolidated City through five departments as follows: Administration and Equal Opportunity, Metropolitan Development, Public Works, Public Safety, and Parks and Recreation, each headed by a director, and through special taxing and service districts. Transactions for the Mayor's office are accounted for in the Consolidated County subfund of the General Fund. The Mayor heads a cabinet of appointed Deputy Mayors, Corporation Counsel, Controller, and Department Directors. The Office of Internal Audit is independent of any City Department, as is the Office of the Corporation Counsel and the Office of Finance and Management. These divisions report directly to the Mayor.

CITY-COUNTY COUNCIL

The City-County Council staff provides efficient and economical administrative support to the local legislative branch of government. The Council is responsible for adoption of appropriations and tax rates supporting the City and County annual budgets, and reviews and recommends the five Municipal Corporations' annual budgets. The City-County Council also confirms appointments of individuals to the positions of Deputy Mayor and Directors of UNIGOV Departments. They also enact legislation and appoint people to various boards and commissions of local government. Transactions for this division are accounted for in the Consolidated County subfund of the General Fund.

CABLE COMMUNICATIONS AGENCY

The Cable Communications Agency oversees cable franchise compliance and contractual obligations, as well as prepares and supervises renewal of franchise agreements. Through WCTY/Channel 16 and Government TV2, the Cable Communications Agency provides City-County government information to Marion County citizens and supplements public safety education. Agency staff makes recommendations for the best usage of communications equipment through research of new communication models and technologies. Transactions for this division are accounted for in the Consolidated County subfund of the General Fund.

OFFICE OF THE CORPORATION COUNSEL

The Office of the Corporation Counsel provides legal counseling and representation for all agencies of City and County government and is headed by Corporation Counsel who is appointed by the Mayor. Transactions for this Office are accounted for in the Consolidated County subfund of the General Fund. The responsibilities of the Office are governed by Indiana statute, which vests the Office with the authority to represent and defend the City and County and its officers in causes of action in which they are parties by virtue of their official capacity and to compromise litigation and effect settlement of pending litigation. In addition, the Office furnishes legal advice and formal opinions and conducts legal proceedings. The City Prosecutor's Office, also a part of the Office of the

Corporation Counsel, initiates legal action for the purpose of enforcing City ordinances. The preparation of non-fiscal ordinances for introduction before the City-County Council and the drafting of legislative proposals in the Indiana General Assembly are also functions of the Office of the Corporation Counsel.

The Collections section is a part of the Office of Corporation Counsel and is responsible for pursuing collections of amounts owed by third parties to various City and County agencies with transactions accounted for in the Consolidated County subfund of the General Fund, with the exception of revenue from parking fines, which is accounted for in the Parking Special Revenue Fund.

OFFICE OF FINANCE AND MANAGEMENT

The Office of Finance and Management is charged with the fiscal management of City and County government. Appointed by the Mayor, the City Controller ensures that financial assets of the government are protected. The office is responsible for the annual City and County budgets, financial reporting, accounting policy for the City and County, cash management, city licenses, and federal audit relationships with transactions accounted for in the Consolidated County subfund of the General Fund.

The Division of Purchasing, which reports to the City Controller, acts as the central purchasing agent for all City and County government offices with transactions accounted for in the Consolidated County subfund of the General Fund. The Division has responsibility for obtaining all necessary materials, equipment, services and performing certain phases of bookkeeping for City-County government, and oversees the disposal of surplus assets.

Department of Metropolitan Development

The Department of Metropolitan Development's primary objectives are to provide improved service delivery through effective communications, collaboration, and developmental assistance to promote partnership between the public and City Government to facilitate quality housing and economic growth throughout the county. The Department follows policy established by the Metropolitan Development Commission and coordinates the activities of its operating divisions: Administrative Services, Community Development, Planning, Neighborhood Services, Historic Preservation Commission, and Compliance. The Metropolitan Development Commission is the policy-making body of the Department of Metropolitan Development and receives staff support from the Department. The Commission is composed of nine members, four of whom are appointed by the Mayor, three by the City-County Council and two by the Board of County Commissioners.

DIVISION OF ADMINISTRATIVE SERVICES

The Division of Administrative Services provides managerial and financial support to other divisions in the Department of Metropolitan Development. Financial staff also offer financial management support, in the form of budgeting, financial reporting, payroll, and accounts payable/receivable management, to the other department divisions consistent with established policies by federal, state, and local regulations. Transactions for this division are accounted for in the Redevelopment subfund of the General Fund.

DIVISION OF COMMUNITY ECONOMIC DEVELOPMENT

The Community Economic Development division has the responsibility of administering all U.S. Department of Housing and Urban Development grants, with transactions accounted for in the Federal and State Grants Special Revenue Funds, and the Consolidated County and Redevelopment subfunds of the General Fund. The division supports activities of community development, affordable housing, neighborhood capacity building, human services, neighborhood strategic programming, and capital improvements projects. The Division also administers the Unsafe Building Program in conjunction with the Health and Hospital Corporation. The division also promotes economic development by leveraging private and public resources in support of developing affordable housing and new employment opportunities in neighborhoods, as well as managing department-owned properties throughout the City.

DIVISION OF PLANNING

The Division of Planning has wide-ranging responsibilities in areas of social, physical, and economic planning. It analyzes present community conditions and makes projections of future development, recommending various plans for private and public action. The Division also is responsible for transportation planning activities as the Metropolitan Planning Organization (MPO) for the Indianapolis Urbanized Area. The division processes all land use petitions for public hearing including recommendations; and reviewing, revising, and updating zoning ordinances to reflect the needs of the community. Transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County and Transportation subfunds of the General Fund.

NEIGHBORHOOD SERVICES

The Division of Neighborhood Services is responsible for facilitating and enhancing communications between the public and government. Staff is responsible for identifying and assisting in addressing the needs of township residents, community organizations and businesses; enlisting citizen and business participation with government and increasing public awareness of the programs and services offered by the City of Indianapolis. Transactions are accounted for in the Consolidated County subfund of the General Fund.

INDIANAPOLIS HISTORIC PRESERVATION COMMISSION

The Indianapolis Historic Preservation Commission is a semi-autonomous agency of City-County government, charged with the responsibility of designating and administering local Historic Areas, both districts and individual structures; promoting the preservation and re-use of historic structures; and offering technical assistance to Marion County residents and property owners. Indianapolis Historic Preservation Commission transactions are accounted for in the Federal Grants Special Revenue Fund and the Consolidated County subfund of the General Fund.

DIVISION OF COMPLIANCE

The Division of Compliance is responsible for enforcing zoning ordinances and building code compliance; issues permits; monitors construction activities; licenses contractors; and registers various trade contractors licensed by the State. Transactions are accounted for in the Consolidated County subfund of the General Fund.

Department of Public Works

The Department of Public Works (DPW) is responsible for the following: street and traffic signal maintenance, trash collection and disposal, flood control maintenance, collection and treatment of sewage, snow removal, air pollution control, and environmental

remediation. DPW also has responsibility for the acquisition and maintenance of vehicles and heavy equipment used by City and County agencies. The Department has four major divisions: Policy and Planning, Engineering, Operations, and Fleet Services.

The Board of Public Works is the supervisory and policy making body of the Department of Public Works. The Board consists of seven members and meets twice per month. The Director of the Department of Public Works serves as the chair of the Board; three members are appointed by the mayor and three by the City-County Council. Appointees serve one-year terms at the pleasure of the appointing authority. The Board reviews the Department budget, holds any hearings required by law, and approves the award of all contracts.

POLICY AND PLANNING DIVISION

The Administrative Services Section manages the administration for the entire Department. This includes financial and budget planning, asset management, contractual agreements. The section also monitors the financial aspects of the Indianapolis Resource Recovery Facility. Administrative transactions are accounted for in the Consolidated County subfund of the General Fund and the Federal Grants Special Revenue Fund. The section's services includes the general services for budget preparation, contract administration, general accounting services, goods procurement, payroll management, data management and entry, property management, and personnel coordination and management. Transactions for this section are recorded in the Transportation subfund of the General Fund and State of Indiana Grants Fund.

The Administrative Services Section has three main areas of responsibility:

1. *Business Services.* This section provides the necessary administrative functions for the Department in the areas of Data Management and other Administrative Services.
2. *Financial Services.* This section provides purchasing, accounting, and payroll services to all areas within the Department.
3. *Contract Services.* This section provides administrative support and review for service contracts with the Department. The day-to-day management of the contracts remains with the operational areas responsible for solid waste removal, mowing, sewer collection system, abandoned vehicles, and street sweeping.

The Public Information Services Section assists DPW and the City by arranging and executing public meetings, media services, public speaking, departmental presentations, and neighborhood coordination.

The Strategic Planning Section provides public access to the many programs administered by the Engineering and Operations Divisions and throughout the Department of Public Works. This section disseminates information through the media, written publications, correspondence, and by telephone on Engineering projects. This section also provides neighborhood services and citizens relations' services.

The Customer Services Section responds within three days to citizen complaints that are called into the Mayor's Action Center such as sanitary sewer back-ups, sewer odors, cave-ins, flooding and drainage problems, street and sidewalk problems, illegal dumping, graffiti, and sewer locates. Service requests are directed to the Township Coordinators who complete over 20,000 inspections per year. Customer Services also works closely with the utility companies and other City and County departments.

The Office Environmental Services assures environmental protection for Indianapolis residents through industrial surveillance and permitting. Air quality, water and land pollution abatement, and environmental remediation projects are managed under this Section. The section also separates the household hazardous collection program. In addition, it oversees the Industrial Pre-treatment Program and the Air Pollution Control Board's Ordinance Enforcement and Regulatory authority. Transactions are accounted for in the Sanitation, Solid Waste Collection, Park and Consolidated County subfunds of the General Fund.

ENGINEERING DIVISION

Engineering plans, designs, constructs, reconstructs and maintains all streets, sewers, roads, bridges, and thoroughfares. The Department is also responsible for access control, traffic control, and street lights on the same. Excluded from the Department's control are:

1. Interstate, U.S., and State routes under the jurisdiction of the Indiana Department of Transportation; and
2. Local streets within the other incorporated cities and towns within Marion County.

This section's general services include development of programs and projects, inventories, transportation studies, design contract administration, service contract negotiation, construction contract management, pavement management, review and approval of private development projects, and providing technical expertise to other divisions and agencies. Transactions for this section are recorded in the Transportation, Solid Waste Disposal, Sanitation, and Stormwater Management subfunds of the General Fund.

The Engineering Administration Section provides the necessary planning, programming, inventory, and studies to implement the department's programs to expand and protect the City's transportation and sanitation networks.

This Construction Services Section provides the necessary project scope and design criteria and determines the project schedule. Consultant selection is also a primary task for this group. This section also provides the technical expertise to accomplish all design and construction contract management for the transportation and sanitation improvement and flood control projects. This section is responsible for supervising and administering all construction contracts for transportation network improvements.

The Environmental Engineering Section provides services including the development of programs and projects, inventories, studies, design contract administration, and service contract negotiation related to the sanitary and drainage programs of the City. This also includes the review and approval of private development projects and providing technical expertise to other divisions and agencies.

The Transportation Engineering Section provides services including the development of programs and projects, inventories, transportation studies, design contract administration, and service contract negotiation related to the transportation programs of the City. This also includes construction contract management, pavement management, review and approval of private development projects, and providing technical expertise to other divisions and agencies.

OPERATIONS DIVISION

The Solid Waste Services Section is responsible for collecting trash from five of the twelve solid waste districts. The section also monitors the financial and technical aspects of the resource recovery waste districts. Approximately 150,000 tons of trash is collected annually. Household refuse is disposed of at the Indianapolis Resource Recovery Facility where the waste is burned and steam is generated. The steam is sold to a local power company. The Solid Waste Management Section also monitors the financial and technical aspects of the resource recovery facility's operations. Other waste, such as construction debris, is taken to the Southside Landfill. Other services of the Solid Waste Management include the removal of dead animal carcasses from the public right of way and operation of Drop-off Recycling programs. Section transactions are accounted for in the Solid Waste Collection and the Solid Waste Disposal subfunds of the General Fund.

The Maintenance Services Section has five main areas of responsibility:

1. *Traffic Operations.* Responsible for the implementation and operation of all traffic control features of the transportation network. Ensures traffic safety and guides' motorists throughout the City through signals, signs, and pavement markers.
2. *Street Maintenance.* Responsible for the maintenance of all roads, bridges, and other transportation facilities under the City's jurisdiction. Also responsible for preventative maintenance and snow and ice removal on city streets.
3. *Grass & Weeds.* Responsible for mowing of levees, parkways, and private weed enforcement lots.
4. *Building and Grounds.* Responsible for maintaining DPW facilities and the Monon Trail.
5. *Parking Meter.* Responsible for collection of revenue, repair of parking meter equipment, and administration of contracts.

The section's general services include road and bridge maintenance and reconstruction, resurfacing, curb and sidewalk replacement and repair, street repair, weed control, mowing, road side drainage, shoulder maintenance, pavement joint maintenance, guard rail installation and repair, emergency maintenance functions (barricading and temporary repairs), snow and ice removal, litter pick-up in the downtown area, traffic signal installation, modernization and maintenance, pavement markings, and traffic sign manufacturing and installation. Transactions for this section are recorded in the Maintenance Operations subfund of the General Fund and the Parking Special Revenue Fund.

The Water Management Services Section monitors the contracts for the operation of the City's two Advanced Wastewater Treatment Facilities. These facilities have the capability of processing 250 million gallons of wastewater per day. Transactions of the section are accounted for in the Sanitation, Consolidated County, Solid Waste Collection, Stormwater, Solid Waste Disposal, and Transportation subfunds of the General Fund.

FLEET SERVICES DIVISION

The Indianapolis Fleet Services (I.F.S.) is responsible for the maintenance, fueling, monitoring, and repair of all vehicles and other equipment owned by the City and has all powers and duties necessary for operation of a municipal garage. I.F.S. also maintains and supplies fuel for vehicles and equipment owned by a number of other governmental agencies on a contractual basis. Transactions for this Division are accounted for in the Consolidated County subfund of the General Fund. The costs associated with maintaining and fueling city-owned vehicles and equipment is charged back to the departments that own the equipment.

Department of Public Safety

This Department maintains order and protects the rights and property of the citizens of Indianapolis. The Director retains responsibility for major policy decisions, budgeting, long-range planning, and the day-to-day coordination of four departmental divisions: Fire, Emergency Management Planning, Animal Care and Control, and Weights and Measures. The Director of the Department of Public Safety serves as the Mayor's appointee on many commissions and councils at the national, state, and local levels in order to coordinate the activities of Public Safety Department divisions with various other state and local criminal justice agencies.

The Director appoints the Fire Chiefs for the Consolidated City. The Director also supervises the hiring, promotion, affirmative action, and discipline of all Department divisions with the advice and assistance of two statutory boards and several non-statutory citizen boards and committees. The statutory boards include a five-member Board of Public Safety and a six-member Fire Merit Board. Transactions for this division are recorded in the Consolidated County subfund of the General Fund.

The Board of Public Safety is composed of the Director of Public Safety and four other members, two of whom are appointed by the Mayor and two others by the City-County Council. Board members serve one-year terms at the pleasure of the Mayor or the Council.

The Board studies issues related to the Department of Public Safety, which the Director brings before the members; it also indicates areas requiring further study to the Director. The Board approves the award and amendment of contracts by the Department for purchase or lease of capital equipment or other property where the contract is required to be bid under Indiana Code 36-1-12. The Board also approves the employment of persons engaged by the Department to render professional or consulting services.

INDIANAPOLIS POLICE DEPARTMENT

This division is primarily responsible for maintaining order and protecting individual and property rights. The Indianapolis Police Department is charged with law enforcement duties, which include crime prevention, detection, arrest, and processing of offenders. The boundaries of the Police Special Service District generally coincide with those of the City as they were prior to the January 1, 1970 Consolidated Cities Act. Transactions are accounted for in the Police subfund of the General Fund, the Consolidated County subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

INDIANAPOLIS FIRE DEPARTMENT

This division's services include fire prevention, fire fighting, and emergency rescue. The Division also administers immediate first aid services, inspects buildings, investigates suspected cases of arson, gives fire and safety instructions, and provides fire and rescue training for other fire departments. The Division is funded from a special service district of the Consolidated City and coordinates fire protection with the Township and Volunteer Fire Departments of the District. Transactions are accounted for in the Fire subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

DIVISION OF EMERGENCY MANAGEMENT PLANNING

This division functions as the local Department of Homeland Security. It coordinates all government and non-government organizations that deal with emergency situations, and provides unique civil preparedness skills and capabilities not available under other organizations. Transactions are accounted for in the Consolidated County subfund of the General Fund, the Federal Grants Special Revenue Fund, and the City Cumulative Capital Projects Fund.

ANIMAL CARE AND CONTROL DIVISION

This division is responsible for protecting the public from injuries, property damage, and disease caused by stray animals. Transactions are accounted for in the Consolidated County subfund of the General Fund. The Division has the authority to capture, impound, and destroy stray animals, including wildlife.

DIVISION OF WEIGHTS AND MEASURES

This division is responsible for checking all weighing and measuring devices as required by the State Weights and Measures law. The division checks scales and measuring devices and performs tests and calibrations. Transactions are accounted for in the Consolidated County subfund of the General Fund.

Department of Parks and Recreation

The Department of Parks and Recreation (Indy Parks and Recreation) provides clear leadership and well-defined direction for enhancing the quality of life for Indianapolis and Marion County residents by offering park and recreation resources that 1) provide and/or facilitate quality recreation and leisure opportunities; 2) encourage and support natural and cultural resource stewardship and environmental education; 3) include safe, clean and well-maintained park facilities for the community's use and enjoyment; and 4) promote and facilitate mutually beneficial countywide partnerships. Indy Parks offers recreational opportunities at regional, community, neighborhood, and nature parks, in addition to schools and other facilities. The parks system includes 7 greenways trails, 23 recreation centers, 22 aquatic centers, 13 golf courses, 428 sports fields and courts, and 116 playgrounds. City ordinances and state statutes are enforced by Indy Parks to protect public parklands and facility use. The Department organization consists of nine divisions including Administration, Community Recreation, Sports and Special Revenue Facilities, Golf, Environmental and Interpretive Services, Park Maintenance, Park Rangers, Resource Development, and Greenways. Transactions for this Department are recorded in the Parks subfund of the General Fund and the Federal and State of Indiana Grants Special Revenue Funds.

ADMINISTRATION DIVISION

Administration provides departmental level leadership, management, and oversight of the business operating elements. The Administration Division includes a variety of functions essential to the organization including finance, marketing and public relations, grants, alliances and partnerships, and a variety of other special projects. This division facilitates and coordinates the implementation of cross-divisional activities.

COMMUNITY RECREATION DIVISION

The Community Recreation Division provides high quality recreational services and opportunities to Marion County residents. Community Recreation's core areas include community centers, neighborhood parks, arts services, day camps, and after-school therapeutic and senior programs.

SPORTS AND SPECIAL REVENUE FACILITIES DIVISION

This division provides both quality sports programs and special facilities combined with educational opportunities for volunteers, coaches and staff. Some of the facilities include indoor and outdoor aquatic centers, sports courts and fields, ice rinks, velodrome, skate park, and BMX track.

GOLF DIVISION

The Golf Division provides high quality golf opportunities for people of all ages and physical ability throughout the Indianapolis community. This division manages municipal courses as well as plans and oversees capital improvements at each course. It manages course operating contracts, service contracts, and course management contracts.

ENVIRONMENTAL AND INTERPRETIVE SERVICES DIVISION

The Environmental and Interpretive Services Division provides quality environmental education and interpretive programs to the community through nature centers and the hub naturalist program.

PARK MAINTENANCE DIVISION

The Park Maintenance Division maintains Indy Parks' facilities and parks. Operating elements include beautification, forestry (includes city's street trees), grounds and facility maintenance, land improvement, natural resources, and land stewardship.

PARK RANGERS DIVISION

The Park Rangers Division implements education safety programs, develops community policing strategies, and is responsible for enforcement of city ordinances, parks policies, and procedures.

RESOURCE DEVELOPMENT DIVISION

Resource Development steers the direction of the department through resource planning, capital asset development, and sustainable strategic tactics. In addition to the planning tasks, this division is also responsible for land acquisition and real estate management.

GREENWAYS DIVISION

The Greenways Division manages, improves and maintains the 66 mile greenways system within Marion County to provide recreational and fitness opportunities; promote open space conservation; link neighborhoods together, with other parks and other community assets; and provide environmental education for the public concerning the greenways system.

Indianapolis Housing Agency

The Indianapolis Housing Agency is responsible for the design, construction, maintenance, and management of decent and safe housing for low-income, elderly, and disabled persons. The Agency receives its primary funding from the U.S. Department of Housing and Urban Development (HUD) and rents collected from residents. The Agency's transactions are accounted for as an Enterprise Fund to maintain autonomy from City-County tax revenues. Other funds are generated by the Comprehensive Improvement Assistance Program (Modernization) and Community Development Block Grants (CDBG) which also originate from HUD. In addition, this Agency operates a program to provide rental and utility assistance payments, which are funded by HUD funds.

Department of Waterworks

In 2002, the City purchased the assets of the former Indianapolis Water Company and formed the Department of Waterworks to oversee the operation of the utility. A Board of Directors was also appointed consisting of seven members of which three are nominated by the majority leader of the City-County Council and three by the minority leader of the City-County Council. The seventh member who is nominated by the Mayor to be the Secretary/Treasurer must be unanimously approved by the remaining members. In addition to the Board of Directors, a professional staff is employed for the day-to-day management oversight of the waterworks system.

The Board of Directors entered into a twenty-year agreement with Veolia Water (formerly US Filter Operating Services) for the day-to-day management of the waterworks. The operator is responsible for all routine operations of the utility and the Department of Waterworks assumes responsibility for all capital purchases needed to operate the waterworks. Water is provided to residential, commercial, and industrial users. The service area includes incorporated and unincorporated area in Marion, Boone, Hancock, Hamilton, and Shelby counties as well as unincorporated areas of Hendricks and Morgan counties.

Financial Section



KPMG LLP
2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

Independent Auditors' Report

Mr. Robert Clifford, Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis-Marion County, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds, the internal service fund type, and each fiduciary fund type of the City, as of and for the year ended December 31, 2006, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Indianapolis Housing Agency, which represent 100 percent of the Housing Agency enterprise fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Indianapolis Housing Agency, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as of the aggregate nonmajor governmental funds, the internal service fund type, and each fiduciary fund type of the City of Indianapolis, Indiana, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The



purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 14, the budgetary comparison information and notes to required supplementary information on pages 84, 85, and 88 through 90, and the schedules of funding progress and employer contributions on pages 86 and 87 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules — other supplementary information on pages 91 through 138 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information presented in the Introductory and the Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

KPMG LLP

Indianapolis, Indiana
September 30, 2007

Management's
Discussion and Analysis

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

This section of the City of Indianapolis's (City) Comprehensive Annual Financial Report presents an analysis of the City's financial activities for the year ended December 31, 2006 based on currently known facts, decisions, and conditions. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report, along with the City's financial statements, including the footnotes that follow the basic financial statements.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the City's assets exceeded its liabilities at December 31, 2006 by \$884.3 million. Included in this net asset amount is a \$354.5 million unrestricted deficit due mainly to an unfunded net pension obligation.
- Governmental activities had net assets of \$795.4 million and business-type activities had net assets of \$89.0 million.
- On a government-wide basis, for 2006, the City's total expenses were \$881.6 million or \$2.8 million less than the \$884.4 million generated in charges for services, grants, taxes, and other revenues.
- As of December 31, 2006, the City's governmental funds reported combined ending fund balances of \$466.4 million. Of this amount, \$213.3 million was unreserved and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was \$136.6 million or 30% of total general fund expenditures.
- The general fund revenues were \$25.6 million higher than original budget estimates.
- In 2006, the City issued \$286.4 million in debt to finance projects, refund debt, improve emergency communications, and to advance county option income taxes in anticipation of rate changes to fund public safety and criminal justice needs, including \$180.3 million governmental activities bonds, \$28.3 million governmental activities notes, and \$77.8 million Waterworks business-type activity bonds. Outstanding Waterworks bond debt of \$82.4 million was refunded. There was a net increase of \$112.3 million, or 11%, in bond debt for governmental activities during 2006.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements

The first set of financial statements are the government-wide statements, which report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental activities and business-type activities. Governmental activities are those normally associated with the operation of a government, such as public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

The Statement of Activities presents information showing how the City's net assets changed during the year. All current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows. The statement of activities presents the various functions of the City and the extent to which they are supported by charges for services, grants and contributions, taxes, and investment income. The governmental activities of the City include: general government, public safety, public works, health and welfare, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City include waterworks and housing agency.

Fund Financial Statements

The second set of financial statements is fund financial statements, which provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. The funds of the City can be divided into the following three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

1. *Governmental Funds*. Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, capital projects, and permanent). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, federal grants fund, revenue debt service fund, and sanitary district capital projects fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds are provided in the form of combining statements as supplementary information.

2. *Proprietary Funds*. Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
 - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Waterworks Department and the Housing Agency.
 - *Internal Service Funds* are used to report activities that provide services for certain City programs and activities. The City uses internal service funds to provide for the financing of workers' compensation, auto liability, and public liability self-insurance for all City departments, as well as for the centralization of certain payments of awards, refunds, and indemnities.
3. *Fiduciary Funds*. Fiduciary funds are used to account for resources held for the benefit of individuals or units of other governments. The City is the trustee or fiduciary responsible for assets that can be used for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the basic financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and federal grants fund, and required supplementary information pertaining to the City's progress in funding its obligation to provide pension benefits to its employees.

Additional Supplementary Information

The combining statements provide subfund-level detail for the general fund and fund-level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds. Also in this section are comparisons of actual to budget for all other annually budgeted funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets at December 31, 2006 and 2005 were \$884.3 million and \$881.6 million, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

City of Indianapolis, Indiana
Schedule of Net Assets
December 31, 2006 and 2005
(dollars in thousands)

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Assets:						
Current and other assets	\$ 643,207	\$ 538,512	\$ 364,260	\$ 376,165	\$ 1,007,467	\$ 914,677
Capital assets, net of accumulated depreciation	1,885,017	1,869,166	536,649	506,273	2,421,666	2,375,439
Total assets	<u>2,528,224</u>	<u>2,407,678</u>	<u>900,909</u>	<u>882,438</u>	<u>3,429,133</u>	<u>3,290,116</u>
Liabilities:						
Long-term liabilities	1,625,912	1,503,383	771,464	768,223	2,397,376	2,271,606
Other liabilities	106,943	91,244	40,491	45,675	147,434	136,919
Total liabilities	<u>1,732,855</u>	<u>1,594,627</u>	<u>811,955</u>	<u>813,898</u>	<u>2,544,810</u>	<u>2,408,525</u>
Net assets:						
Invested in capital assets, net of related debt	968,197	964,135	76,926	86,066	1,045,123	1,050,201
Restricted	193,243	122,202	443	2,807	193,686	125,009
Unrestricted (deficit)	(366,071)	(273,286)	11,585	(20,333)	(354,486)	(293,619)
Total net assets	<u>\$ 795,369</u>	<u>\$ 813,051</u>	<u>\$ 88,954</u>	<u>\$ 68,540</u>	<u>\$ 884,323</u>	<u>\$ 881,591</u>

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$884.3 million in 2006 as compared to \$881.6 million for the previous year.

The largest portion of the City's net assets reflects its investments of \$1,045.1 million in capital assets (e.g., land, buildings, equipment, and infrastructure), less related outstanding debt used to acquire those assets. The 2005 balance was \$1,050.2 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets is \$193.7 million, versus \$125.0 million in 2005, which represents resources that are subject to external restrictions on how they may be used.

All net assets generated by governmental activities are either externally restricted, restricted by enabling legislation, or invested in capital assets. Consequently, unrestricted governmental net assets showed a \$366.1 million deficit at the end of the year as compared to a \$273.3 million deficit for the prior year. This deficit does not mean the City does not have resources available to pay its bills. Rather, it is the result of having long-term commitments that are greater than currently available resources, mainly net pension obligation of \$385.5 million for police and firefighters hired before May 1, 1977.

Unrestricted net assets of the business-type activities were \$11.6 million at the end of the year as compared to a \$20.3 million deficit for the prior year.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Changes in net assets. The City's total revenue on a government-wide basis for 2006 was \$884.4 million and \$854.5 million for 2005. Taxes represent 35% of the City's revenue (36% for 2005). Another 29% (28% in 2005) came from fees charged for services, and the remainder came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was \$881.6 million (\$873.2 million for 2005). The City's expenses cover a range of typical city/county services. The largest program and the program with the largest burden on general revenues was public safety.

City of Indianapolis, Indiana
Schedule of Changes in Net Assets
For the Year Ended December 31, 2006 and 2005
(dollars in thousands)

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Revenues:						
Program revenues:						
Charges for services	\$ 156,527	\$ 129,790	\$ 102,283	\$ 105,274	\$ 258,810	\$ 235,064
Operating grants and contributions	123,417	113,844	51,139	51,127	174,556	164,971
Capital grants and contributions	63,466	93,315	24,925	35,848	88,391	129,163
General revenues:						
Property tax	221,904	229,238	—	—	221,904	229,238
Other taxes	88,142	77,354	—	—	88,142	77,354
Other general revenues	40,128	16,457	12,443	2,276	52,571	18,733
Total revenues	<u>693,584</u>	<u>659,998</u>	<u>190,790</u>	<u>194,525</u>	<u>884,374</u>	<u>854,523</u>
Expenses:						
General government	45,133	43,646	—	—	45,133	43,646
Public safety	281,214	280,370	—	—	281,214	280,370
Public works	229,993	228,881	—	—	229,993	228,881
Health and welfare	4,962	4,598	—	—	4,962	4,598
Culture and recreation	31,739	32,892	—	—	31,739	32,892
Urban redevelopment and housing	40,837	38,482	—	—	40,837	38,482
Economic development and assistance	14,126	11,804	—	—	14,126	11,804
Interest	63,262	56,192	—	—	63,262	56,192
Waterworks	—	—	119,289	120,856	119,289	120,856
Housing Agency	—	—	51,087	55,494	51,087	55,494
Total expenses	<u>711,266</u>	<u>696,865</u>	<u>170,376</u>	<u>176,350</u>	<u>881,642</u>	<u>873,215</u>
Change in net assets	<u>(17,682)</u>	<u>(36,867)</u>	<u>20,414</u>	<u>18,175</u>	<u>2,732</u>	<u>(18,692)</u>
Net assets – beginning of year	813,051	849,918	68,540	50,365	881,591	900,283
Net assets – end of year	<u>\$ 795,369</u>	<u>\$ 813,051</u>	<u>\$ 88,954</u>	<u>\$ 68,540</u>	<u>\$ 884,323</u>	<u>\$ 881,591</u>

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Governmental activities. Governmental activities decreased the City's net assets by \$17.7 million. Key factors influencing this decrease were:

- Depreciation expense of \$121.2 million, which exceeded by \$26.6 million, the \$94.6 million of expenditures reported as additions to capital assets.
- Increase in net pension obligation of \$5.9 million.

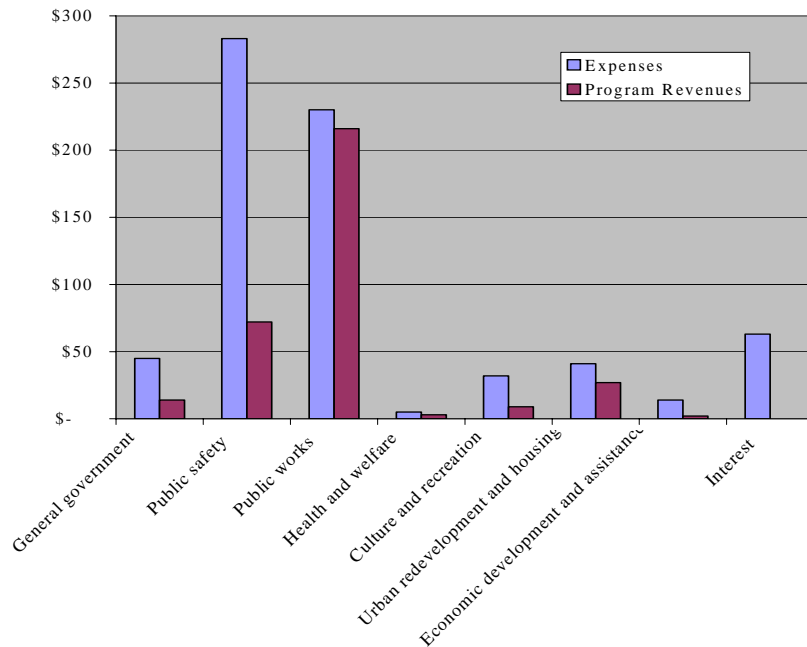
Total revenues for governmental activities in 2006 were \$693.6 million, an increase of \$33.6 million from the prior year due mainly to an increase in charges for services and other general revenues.

Total expenses for governmental activities for 2006 were \$711.3 million, an increase of \$14.4 million from the prior year spread over the functions.

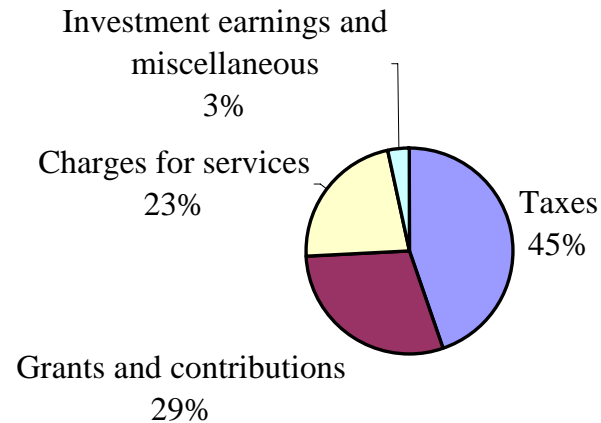
See page 22 for various other items contributing to the \$17.7 million decrease in net assets versus the \$75.4 million increase in fund balances.

The following charts provide the City's governmental program revenues and expenses by function and revenues by source for 2006. As shown, public safety is the largest function in expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities city-wide.

Expenses and Program Revenues - Governmental Activities
(in millions)



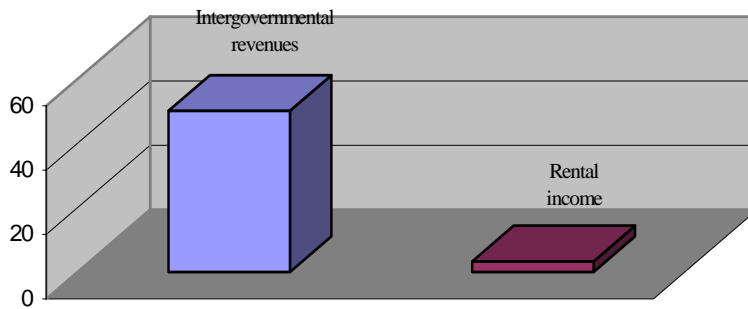
Revenues by Source - Governmental Activities



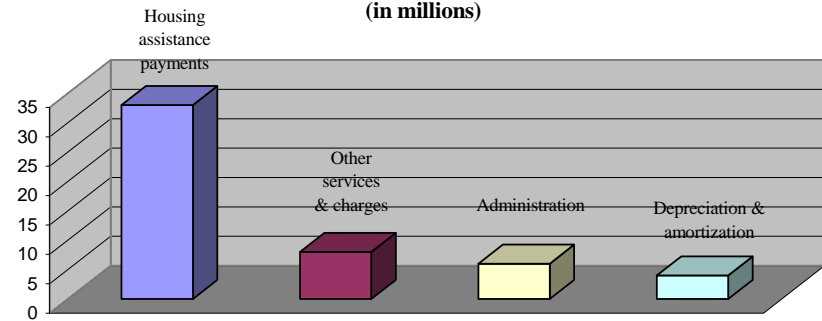
CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Business-type activities. For the Housing Agency, operating revenues were \$4.6 million and operating expenses were \$51.0 million including depreciation of \$4.4 million. Nonoperating revenues included \$50.1 million of intergovernmental revenues. Capital contributions were \$6.7 million. Operating revenues for the Waterworks were primarily from the sale of water of \$97.6 million. Capital contributions were \$18.3 million. In 2006, \$44.4 million was paid to a third-party contractor to operate the system. Other operating expenses included payments in lieu of taxes, increases in the outstanding liability for postretirement benefits, depreciation and amortization, and other miscellaneous costs totaling \$45.7 million.

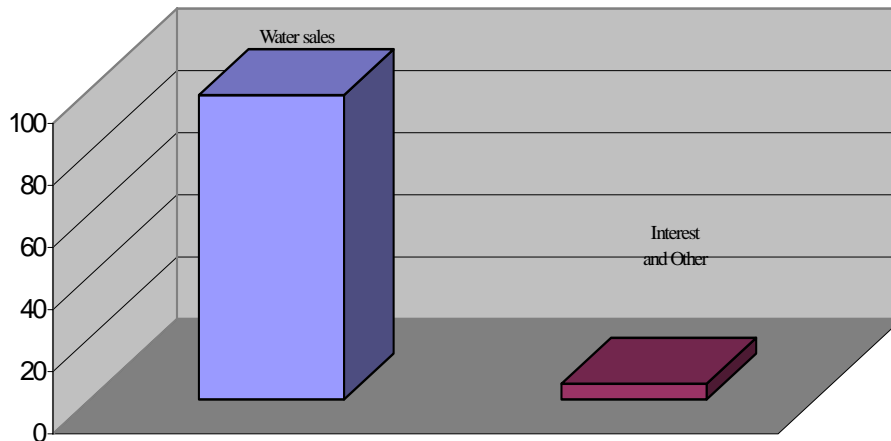
Housing Agency Revenues
(in millions)



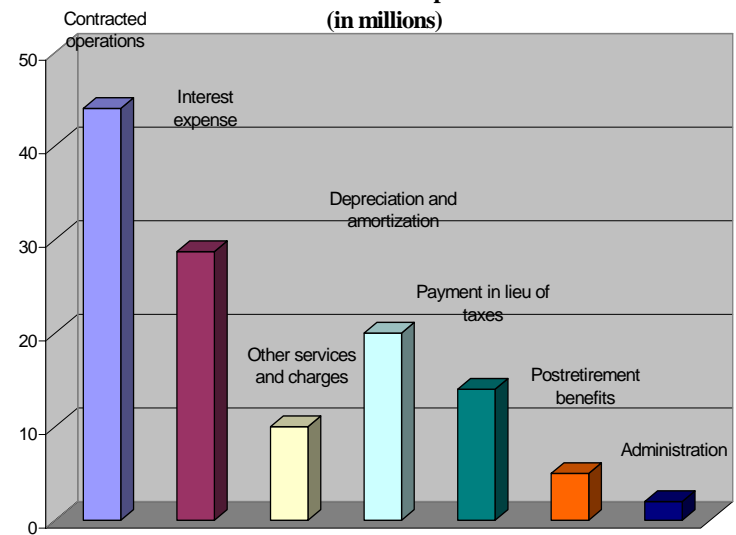
Housing Agency Expenses
(in millions)



Waterworks Revenue
(in millions)



Waterworks Expense
(in millions)



CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on inflows and balances of resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2006, the unreserved fund balance of the general fund was \$136.6 million (as compared to \$125.5 million in 2005), while the total general fund balance was \$210.3 million (as compared to \$217.6 million in 2005). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 28% of total general fund expenditures and transfers out of \$491.8 million (as compared to 27% and \$467.2 million for 2005), while total fund balance represents 43% (47% for 2005) of total general fund expenditures and transfers out. The fund balance in the City's general fund decreased by \$7.4 million or 3% from the prior year fund balance due mainly to utilization of the pension stabilization fund balance.

The revenue debt service fund ended the year with a \$91.1 million fund balance (as compared to \$99.5 million in 2005) reserved for debt service. The sanitary district capital projects fund ended the year with an unreserved fund balance of \$23.8 million (\$1.0 million in 2005) and a total fund balance of \$85.3 million (\$27.8 million in 2005). The federal grants fund ended the year with a negative unreserved fund balance of \$1.5 million (\$1.1 million negative in 2005) and a negative total fund balance of \$.2 million (\$.3 million negative in 2005).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the unrestricted net asset (deficit) was (\$.2) million (\$20.4) million in 2005) for the Waterworks, and \$11.8 million (\$.1 million for 2005) for the Housing Agency. The internal service funds, which are used to account for certain risk management governmental activities, had \$4.9 million in unrestricted net assets at year-end (\$5.8 million in 2005).

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for police and firefighters hired before May 1, 1977. As of the end of 2006, the net assets of these pension funds totaled \$8.0 million, representing an increase of \$1.4 million in total net assets during the year.

The City is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets. As of the end of 2006, the combined gross assets of the agency funds totaled \$10.3 million (\$9.7 million in 2005). This amount is comprised of activity from the following agency funds: Barrett Law, Sanitation 15 Year Law, UAL Personal Property, E-911 Allocation, DPS Retiree Health Insurance, IPD Confiscated Cash, and Other.

General Fund Budgetary Highlights

The final budget for the City's general fund represents the original budget plus any additional supplemental appropriations during the year. It does not include encumbrances carried over from the prior year. In 2006, there were \$24.9 million of supplemental appropriations to the general fund consisting primarily of \$13.9 million for capital expenditures and \$6.0 million for public safety.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Excluding prior year encumbrances, the original general fund expenditures budget for 2006 was \$372.1 million. The final general fund expenditures budget was \$397.0 million. Actual expenditures were \$384.7 million. Of the total \$12.3 million underspending of the final budget, \$.5 million was in general government, \$3.3 million was in public safety, \$3.0 million was in public works, \$.7 million was in health and welfare, \$.8 million was in cultural and recreation, \$.5 was in urban redevelopment and housing, and \$3.6 million was in capital expenditures. General revenues and other financing sources were originally estimated at \$381.0 million, final estimated at \$411.6 million, and the actual was \$406.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had a net investment of \$2.4 billion in capital assets at December 31, 2006 (net of accumulated depreciation of \$2.9 billion) in a broad range of capital assets. This amount represents a net increase for the current year (including additions and deductions) of \$46.2 million.

City of Indianapolis, Indiana
Schedule of Capital Assets
Net of Depreciation
December 31, 2006 and 2005
(dollars in thousands)

	Governmental activities December 31, 2006	Governmental activities December 31, 2005	Business-type activities December 31, 2006	Business-type activities December 31, 2005	Total 2006	Total 2005
Land	\$ 63,017	\$ 67,467	\$ 35,532	\$ 34,489	\$ 98,549	\$ 101,956
Construction in progress	77,348	78,431	34,248	53,592	111,596	132,023
Buildings	414,745	422,461	42,434	41,809	457,179	464,270
Improvements	90,277	93,809	—	—	90,277	93,809
Equipment	31,510	35,187	13,944	12,630	45,454	47,817
Infrastructure	<u>1,208,120</u>	<u>1,171,811</u>	<u>410,491</u>	<u>363,753</u>	<u>1,618,611</u>	<u>1,535,564</u>
Total	<u>\$ 1,885,017</u>	<u>\$ 1,869,166</u>	<u>\$ 536,649</u>	<u>\$ 506,273</u>	<u>\$ 2,421,666</u>	<u>\$ 2,375,439</u>

Major capital asset additions in 2006 for governmental activities included:

- \$84.3 million of additions to construction in progress, principally infrastructure and buildings. Reductions to construction in progress were \$85.4 million.
- \$16.9 million of additions to buildings, principally at the advanced wastewater treatment plants and Garfield Park.
- \$6.1 million of additions to equipment, principally for public safety.
- \$122.1 million of additions to infrastructure, principally \$54.1 million for sewers and drains, and \$50.2 million for streets, curbs, and sidewalks.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

Donated capital assets for governmental activities were \$56.7 million, principally infrastructure. Depreciation expense for 2006 for governmental activities was \$121.2 million.

Major capital asset additions for Waterworks were \$118.9 million of additions to the water distribution and treatment system (including construction in progress), which included \$18.3 million of contributed capital assets.

At December 31, 2006, the City had commitments related to ongoing capital asset construction projects of \$98.5 million.

See note 7 to the financial statements for more information regarding capital assets.

Long-term Debt

At the end of 2006, the City had outstanding long-term debt and other long-term obligations for governmental activities of \$1.63 billion, compared to \$1.5 billion at December 31, 2005, as shown below:

City of Indianapolis, Indiana
Schedule of Long-term Debt Obligations
(dollars in thousands)

	December 31, 2006	December 31, 2005	% Change
Governmental activities:			
Serial bonds payable	\$ 320,385	\$ 338,642	(5.4) %
Tax increment bonds payable	438,863	468,392	(6.3) %
Revenue bonds	406,626	248,557	63.6 %
Loss on refunding	(3,290)	(3,580)	(8.1) %
Deferred discounts	(502)	(520)	(3.5) %
Deferred premiums	6,417	4,736	35.5 %
Long-term notes payable	47,628	42,648	11.7 %
Long-term leases payable	1,112	2,020	(45.0) %
Unfunded net pension obligation	385,506	379,615	1.6 %
Compensated absences	22,351	21,406	4.4 %
Settlements payable	816	1,467	(44.4) %
Total	<u>\$ 1,625,912</u>	<u>\$ 1,503,383</u>	<u>8.2 %</u>
Business-type activities:			
Housing Agency	\$ 3,957	\$ 4,957	(20.2) %
Waterworks	<u>767,507</u>	<u>763,266</u>	<u>0.6 %</u>
Total	<u>\$ 771,464</u>	<u>\$ 768,223</u>	<u>0.4 %</u>

The increase in unfunded net pension obligation reflects that the pay-as-you-go pension plan is not funded and continues to grow each year. The increase in compensated absences reflects increases in salaries and increases in the number of hours being carried forward.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

During 2006, the City increased by \$69.3 million the draws against nine prior years' Sanitary District revenue bond issues under the State of Indiana Wastewater Loan Program. In June and December 2006, the City issued Sanitary District Revenue Bonds of 2006 Series A & B of \$35,250 and \$34,750, respectively under the State of Indiana Wastewater Loan Program and drew down \$7.6 million and \$34.8 million, respectively, during 2006. The outstanding balance of draws on these eleven bonds at December 31, 2006 was \$262.1 million. In February 2006, the City issued its Indiana Facilities Revenue Bonds, Series 2006 in the amount of \$16.6 million to fund additions, repairs, and improvements to the Marion County Jail, City-County Building, Juvenile Justice Center, Animal Control Building, Public Safety Training Academy, Riverside Garage and Belmont Garage.

During 2006, the City added \$28.3 million of notes payable, mainly for sanitary, storm water, and redevelopment projects.

In March 2006, the City issued Waterworks District Refunding Bonds, Series 2006 A totaling \$77.8 million, refunding certain bonds as described in the notes to the financial statements.

In March 2006, the City issued Stormwater District Revenue Bonds of 2006 Series A of \$43.4 million which were used to refund outstanding short term obligations for the City and to construct additions and improvements to the Stormwater Collection System.

See note 10 to the financial statements for more information regarding long-term debt.

Bond ratings. Since 1998, the City's general obligation bonds have been rated AAA by two bond rating agencies and AA1 by the third. The City's other debt, principally revenue bonds and notes, have been insured to attain a rating of AAA.

Limitations on debt. The state limits the amount of general obligation debt the City can issue to varying percents of assessed value, by taxing district, as shown in the statistical section. The City's outstanding debt is well below the limit in each case.

ECONOMIC FACTORS AND THE 2007 BUDGET

- The 2007 original budget for all annually budgeted funds, except revenue debt service funds, was \$629.5 million. Revisions of \$46.1 million have been made through September 2007.
- The 2007 general fund original budget was \$480.8 million, a increase of 31% from the 2006 original general fund budget of \$367.4 million. Revisions (additions) of \$24.4 million have been made through September 2007.
- The City appropriated \$22.4 million from the unreserved general fund balance at December 31, 2006 for spending in fiscal year 2007.
- Unemployment rates were as follows:

	May 2007	May 2006
City of Indianapolis	4.4%	4.9%
State of Indiana	4.5%	5.2%
United States	4.5%	4.6%

- The City expects to continue to face increasing pension costs for its Police and Firefighters' Pension Plans.

CITY OF INDIANAPOLIS
Management's Discussion and Analysis
Year ended December 31, 2006

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the City of Indianapolis Office of Finance and Management, 200 East Washington Street, Suite 2222, Indianapolis, Indiana 46204.

Basic Financial Statements

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2006
(In Thousands)

	Governmental activities	Business-type activities	Total
ASSETS			
Equity in pooled cash	\$ 112,930	\$ 14,703	\$ 127,633
Cash and investments with fiscal agents	182,476	—	182,476
Investments	230,263	2,051	232,314
Accrued interest receivable	2,759	42	2,801
Property taxes receivable	6,249	—	6,249
Accounts receivable, less allowance for uncollectibles	81,885	10,727	92,612
Due from federal and state governments	14,192	723	14,915
Internal balances	310	(310)	—
Other	—	259	259
Long-term receivables, less allowance for uncollectibles	1,382	23,957	25,339
Restricted assets	—	60,040	60,040
Deferred bond and note issuance costs	10,257	10,701	20,958
Net pension asset	504	—	504
Deferred charges	—	1,263	1,263
Intangible assets, net of accumulated amortization	—	216,417	216,417
Deferred charge – postretirement benefits	—	23,687	23,687
Capital assets:			
Land	63,017	35,532	98,549
Infrastructure, net of accumulated depreciation	1,208,120	410,491	1,618,611
Other capital assets, net of accumulated depreciation	536,532	56,378	592,910
Construction in progress	77,348	34,248	111,596
Total assets	\$ 2,528,224	\$ 900,909	\$ 3,429,133

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Net Assets
December 31, 2006
(In Thousands)

	Governmental activities	Business-type activities	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 79,570	\$ 9,157	\$ 88,727
Accounts payable - restricted assets	—	5,325	5,325
Accrued interest payable	24,542	7,013	31,555
Unearned revenue	2,831	—	2,831
Customer deposits	—	3,499	3,499
Payments in lieu of taxes	—	15,497	15,497
Long-term liabilities:			
Due within one year	93,592	3,944	97,536
Due in more than one year	1,532,320	767,520	2,299,840
	<u>1,732,855</u>	<u>811,955</u>	<u>2,544,810</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	968,197	76,926	1,045,123
Restricted for:			
Capital projects	21,151	—	21,151
Debt service	85,873	—	85,873
Restricted for capital improvement	—	443	443
Other purposes by grantors	3,966	—	3,966
Other purposes by contributor – nonexpendable	345	—	345
Statutory restrictions	81,908	—	81,908
Unrestricted (deficit)	(366,071)	11,585	(354,486)
	<u>795,369</u>	<u>88,954</u>	<u>884,323</u>
Total net assets	\$	\$	\$

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Activities
Year ended December 31, 2006
(In Thousands)

		Program revenues			Net (expense) revenue and changes in net assets		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	services	grants and	grants and	activities	activities	
			contributions	contributions			
Functions/Programs							
Governmental activities:							
General government	\$ 45,133	\$ 13,672	\$ 482	\$ —	\$ (30,979)	\$ —	\$ (30,979)
Public safety	281,214	16,394	52,052	3,441	(209,327)	—	(209,327)
Public works	229,993	117,667	41,548	57,093	(13,685)	—	(13,685)
Health and welfare	4,962	864	2,075	—	(2,023)	—	(2,023)
Cultural and recreation	31,739	5,230	929	2,616	(22,964)	—	(22,964)
Urban redevelopment and housing	40,837	1,667	25,319	—	(13,851)	—	(13,851)
Economic development and assistance	14,126	1,033	1,012	316	(11,765)	—	(11,765)
Interest	63,262	—	—	—	(63,262)	—	(63,262)
Total governmental activities	711,266	156,527	123,417	63,466	(367,856)	—	(367,856)
Business-type activities:							
Waterworks	119,289	97,637	1,000	18,271	—	(2,381)	(2,381)
Housing Agency	51,087	4,646	50,139	6,654	—	10,352	10,352
Total business-type activities	170,376	102,283	51,139	24,925	—	7,971	7,971
Total	\$ 881,642	\$ 258,810	\$ 174,556	\$ 88,391	(367,856)	7,971	(359,885)
General revenues:							
Taxes:							
Property tax					221,904	—	221,904
Wheel tax					12,921	—	12,921
County option income tax					57,452	—	57,452
Other taxes					17,769	—	17,769
Grants and contributions not restricted by function					16,945	—	16,945
Investment earnings not restricted by function					18,099	5,489	23,588
Miscellaneous					5,084	6,954	12,038
Total general revenues					350,174	12,443	362,617
Change in net assets					(17,682)	20,414	2,732
Net assets – beginning					813,051	68,540	881,591
Net assets – ending					\$ 795,369	\$ 88,954	\$ 884,323

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Balance Sheet – Governmental Funds
December 31, 2006
(In Thousands)

	General	Federal Grants	Revenue Debt Service	Sanitary District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Equity in pooled cash	\$ 46,574	\$ —	\$ 13,807	\$ 18,877	\$ 30,451	\$ 109,709
Cash and investments with fiscal agents	47,582	—	75,087	34,585	25,103	182,357
Investments	96,923	—	28,815	39,395	58,411	223,544
Accrued interest receivable	1,147	26	550	361	556	2,640
Property taxes receivable	4,395	—	107	—	1,747	6,249
Accounts receivable, less allowance of \$3,393	72,366	35	34	2,607	6,779	81,821
Due from federal and state governments	234	13,944	—	—	14	14,192
Due from other funds	654	—	—	—	—	654
Long-term receivables, less allowance of \$24,261	—	1,382	—	—	—	1,382
Total assets	<u>\$ 269,875</u>	<u>\$ 15,387</u>	<u>\$ 118,400</u>	<u>\$ 95,825</u>	<u>\$ 123,061</u>	<u>\$ 622,548</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Matured bonds payable	\$ —	\$ —	\$ 12,149	\$ —	\$ 21,126	\$ 33,275
Matured interest payable	—	—	5,101	—	9,664	14,765
Accounts payable and other accrued liabilities	15,425	10,636	9,949	10,481	8,547	55,038
Accrued payroll and payroll taxes	19,979	45	—	—	3	20,027
Due to other funds	—	—	—	—	344	344
Deferred revenue	24,210	4,881	111	—	3,477	32,679
Total liabilities	<u>59,614</u>	<u>15,562</u>	<u>27,310</u>	<u>10,481</u>	<u>43,161</u>	<u>156,128</u>
Fund balances:						
Reserved for:						
Long-term receivables	1,596	1,372	—	—	—	2,968
Encumbrances	25,170	—	—	61,569	13,228	99,967
Debt service	—	—	91,090	—	12,260	103,350
Pension obligation	46,852	—	—	—	—	46,852
Unreserved, reported in:						
General fund	136,643	—	—	—	—	136,643
Special revenue funds	—	(1,547)	—	—	2,058	511
Capital project funds	—	—	—	23,775	52,009	75,784
Permanent fund	—	—	—	—	345	345
Total fund balances (deficit)	<u>210,261</u>	<u>(175)</u>	<u>91,090</u>	<u>85,344</u>	<u>79,900</u>	<u>466,420</u>
Total liabilities and fund balances	<u>\$ 269,875</u>	<u>\$ 15,387</u>	<u>\$ 118,400</u>	<u>\$ 95,825</u>	<u>\$ 123,061</u>	<u>\$ 622,548</u>

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Assets
December 31, 2006
(In Thousands)

Amounts reported for governmental activities in the statement of net assets (page 16) are different because:

Fund balances – total governmental funds (page 18)	\$ 466,420
Capital assets not reported in the fund statements	1,885,017
Net assets of internal service funds	4,921
Internal service fund accounts payable reclassified to long-term liabilities in the statement of net assets	816
Long-term liabilities not in the fund statements (note 19)	(1,592,637)
Deferred revenues in fund statements not in the statement of net assets	29,848
Net pension asset not recorded in the fund statements	504
Deferred bond and note issuance costs not in the fund statements	10,257
Accrued interest payable not in the fund statements	<u>(9,777)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 795,369</u></u>

CITY OF INDIANAPOLIS
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended December 31, 2006
(In Thousands)

	General	Federal Grants	Revenue Debt Service	Sanitary District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 218,279	\$ —	\$ 49,355	\$ —	\$ 42,544	\$ 310,178
Licenses and permits	13,097	—	—	—	—	13,097
Charges for services	128,200	—	391	—	2,355	130,946
Intergovernmental revenues	87,129	39,451	571	—	4,172	131,323
Intragovernmental revenues	3,804	—	—	—	—	3,804
Traffic violations and court fees	2,414	429	—	—	1,598	4,441
Interest and other operating revenues	16,571	129	4,789	1,677	7,571	30,737
Total revenues	<u>469,494</u>	<u>40,009</u>	<u>55,106</u>	<u>1,677</u>	<u>58,240</u>	<u>624,526</u>
Expenditures:						
Current:						
General government	24,183	—	—	—	10	24,193
Public safety	250,513	10,102	—	—	525	261,140
Public works	116,336	—	—	—	696	117,032
Health and welfare	3,253	1,525	—	—	—	4,778
Cultural and recreation	24,842	656	—	—	3	25,501
Urban redevelopment and housing	4,490	23,456	—	—	—	27,946
Economic development and assistance	1,526	184	—	—	63	1,773
Debt service:						
Redemption of bonds and notes	3,128	289	51,463	—	41,532	96,412
Interest on bonds and notes	3,264	11	31,146	180	19,913	54,514
Bond and note issuance costs	86	—	—	505	1,435	2,026
Operating lease payments and administration	3	—	1,635	—	17,416	19,054
Capital outlays	<u>22,517</u>	<u>3,735</u>	<u>—</u>	<u>55,369</u>	<u>36,297</u>	<u>117,918</u>
Total expenditures	<u>454,141</u>	<u>39,958</u>	<u>84,244</u>	<u>56,054</u>	<u>117,890</u>	<u>752,287</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>15,353</u>	\$ <u>51</u>	\$ <u>(29,138)</u>	\$ <u>(54,377)</u>	\$ <u>(59,650)</u>	\$ <u>(127,761)</u>

(Continued)

CITY OF INDIANAPOLIS
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended December 31, 2006
(In Thousands)

	<u>General</u>	<u>Federal Grants</u>	<u>Revenue Debt Service</u>	<u>Sanitary District Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources and (uses):						
Bonds and notes issued	\$ 12,344	\$ —	\$ —	\$ 111,878	\$ 75,777	\$ 199,999
Premium on bonds and notes issued	197	—	—	—	2,494	2,691
Sale of capital assets	278	22	155	—	—	455
Transfers in	2,147	31	20,567	—	22,568	45,313
Transfers out	(37,670)	—	—	—	(7,643)	(45,313)
Total other financing sources and (uses)	<u>(22,704)</u>	<u>53</u>	<u>20,722</u>	<u>111,878</u>	<u>93,196</u>	<u>203,145</u>
Net change in fund balances	(7,351)	104	(8,416)	57,501	33,546	75,384
Fund balances at beginning of year	<u>217,612</u>	<u>(279)</u>	<u>99,506</u>	<u>27,843</u>	<u>46,354</u>	<u>391,036</u>
Fund balances (deficit) at end of year	<u><u>\$ 210,261</u></u>	<u><u>\$ (175)</u></u>	<u><u>\$ 91,090</u></u>	<u><u>\$ 85,344</u></u>	<u><u>\$ 79,900</u></u>	<u><u>\$ 466,420</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities**

Year ended December 31, 2006

(In Thousands)

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net change in fund balances – total governmental funds (page 21)	\$ 75,384
Depreciation expense reported in the statement of activities but not in the fund statements	(121,180)
Capital expenditures reported in the fund statements but reported as additions to capital assets in the statement of activities	94,583
Donations of capital assets not recorded in the fund statements	56,672
Loss on disposal of capital assets not recorded in the fund statements	(14,224)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the fund statements	29,848
Revenues in the fund statements but not in current year statement of activities due to the current financial resources focus of the governmental funds	(18,498)
Bond, notes, and capital leases issued reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities (note 19)	(202,692)
Bond and note principal payments reported as expenditures in the fund statements but as reductions of long-term liabilities in the statement of activities (note 19)	96,383
Settlement payment reported as expenditure in the fund statements but as reduction of long-term liabilities in the statement of activities	561
Net revenue of internal service funds reported with governmental activities	(880)
Amortization of bond premium, discount, and loss on refunding reported in the statement of activities but not in the fund statements	702
Increase in compensated absences not reported in the fund statements	(945)
Decrease in net pension asset which is not reported in the fund statements	(1,020)
Amortization of bond and note issuance costs reported in the statement of activities but not in the fund statements, as these amounts are reported when debt is issued	(746)
Capital appreciation bond interest expense which is reported as interest accretes for the statement of activities but not the fund statements, as there is no cash outflow	(8,551)
Current year bond and note issuance costs which are deferred and amortized for the statement of activities but reported when paid in the fund statements	2,026
Capital lease payments reported as expenditures in the fund statements but as reduction of debt in the statement of activities	908
Accrued interest on bonds and notes payable through December 31, 2006 reported as expenses in the statement of activities but not the fund statements	(9,777)
Accrued interest at December 31, 2005 not reported in the current year statement of activities but reported in the fund statements, as amounts were paid in the current year	9,655
Increase in net pension obligation which is not reported in the fund statements	<u>(5,891)</u>
Change in net assets of governmental activities (page 17)	<u><u>\$ (17,682)</u></u>

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2006
(In Thousands)

	Business-type activities – Enterprise Funds			Governmental activities –
	Waterworks	Housing Agency	Total	Internal Service Funds
ASSETS				
Current assets:				
Equity in pooled cash	\$ 3,801	\$ 10,902	\$ 14,703	\$ 3,221
Cash and investments with fiscal agents	—	—	—	119
Investments	694	1,357	2,051	6,719
Accrued interest receivable	42	—	42	119
Accounts receivable, less allowance for uncollectibles	10,671	56	10,727	64
Current portion of long-term note receivable	1,674	—	1,674	—
Due from other funds	—	344	344	—
Due from federal and state governments	—	723	723	—
Other	—	259	259	—
Total current assets	16,882	13,641	30,523	10,242
Noncurrent assets:				
Long-term note receivable	21,092	1,191	22,283	—
Restricted cash and investments	59,421	619	60,040	—
Deferred charges	1,263	—	1,263	—
Intangible assets, net of accumulated amortization	216,417	—	216,417	—
Bond issuance costs	10,701	—	10,701	—
Deferred charge – postretirement benefits	23,687	—	23,687	—
Capital assets:				
Land	18,146	17,386	35,532	—
Infrastructure, net of accumulated depreciation	410,491	—	410,491	—
Other capital assets, net of accumulated depreciation	12,574	43,804	56,378	—
Construction in progress	34,248	—	34,248	—
Total noncurrent assets	808,040	63,000	871,040	—
Total assets	\$ 824,922	\$ 76,641	\$ 901,563	\$ 10,242

(Continued)

CITY OF INDIANAPOLIS
Statement of Net Assets
Proprietary Funds
December 31, 2006
(In Thousands)

	Business-type activities – Enterprise Funds			Governmental activities –
	Waterworks	Housing Agency	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 8,147	\$ 764	\$ 8,911	\$ 5,321
Accounts payable - restricted assets	5,325	—	5,325	—
Due to other governmental units	—	129	129	—
FSS escrow, current	—	225	225	—
Long-term utilities liability, current	—	37	37	—
Accrued payroll and payroll taxes	7	239	246	—
Customer deposits	3,403	96	3,499	—
Leases payable, current portion	—	651	651	—
Interest payable	6,999	14	7,013	—
Compensated absences, current	—	30	30	—
Short-term notes payable	217	—	217	—
Short-term revenue bonds payable	2,655	—	2,655	—
Payments in lieu of taxes	15,497	—	15,497	—
Due to other funds	654	—	654	—
Total current liabilities	42,904	2,185	45,089	5,321
Noncurrent liabilities:				
Compensated absences payable	—	316	316	—
Long-term notes payable	434	—	434	—
FSS escrow, net of current	—	299	299	—
Due to other governmental units	—	1,033	1,033	—
Lease payable, long-term portion	—	1,237	1,237	—
Customer advances	13,141	—	13,141	—
Accumulated postretirement benefit obligation	46,129	—	46,129	—
Long-term revenue bonds payable	704,931	—	704,931	—
Total noncurrent liabilities	764,635	2,885	767,520	—
Total liabilities	807,539	5,070	812,609	5,321
NET ASSETS				
Invested in capital assets, net of related debt	17,623	59,303	76,926	—
Restricted for capital improvement	—	443	443	—
Unrestricted	(240)	11,825	11,585	4,921
Total net assets	\$ 17,383	\$ 71,571	\$ 88,954	\$ 4,921

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended December 31, 2006
(In Thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total Enterprise Funds	
Operating revenues:				
Water sales pledged as security for revenue bonds	\$ 97,637	\$ —	\$ 97,637	\$ —
Rental income	—	3,299	3,299	—
Charges to other funds	—	—	—	3,053
Other	1,000	1,347	2,347	—
Total operating revenues	<u>98,637</u>	<u>4,646</u>	<u>103,283</u>	<u>3,053</u>
Operating expenses:				
Contracted operations	44,413	—	44,413	—
Housing assistance payments	—	32,957	32,957	—
Payments in lieu of taxes	11,591	—	11,591	—
Postretirement benefits	4,710	—	4,710	—
Other services and charges	8,912	7,872	16,784	—
Claims	—	—	—	4,352
Administration	1,758	5,770	7,528	162
Depreciation and amortization	18,716	4,382	23,098	—
Total operating expenses	<u>90,100</u>	<u>50,981</u>	<u>141,081</u>	<u>4,514</u>
Operating income (loss)	<u>8,537</u>	<u>(46,335)</u>	<u>(37,798)</u>	<u>(1,461)</u>
Nonoperating revenues (expenses):				
Intergovernmental	—	50,139	50,139	—
Interest income	5,184	305	5,489	581
Interest expense	(28,698)	(106)	(28,804)	—
Amortization of bond issuance costs	(491)	—	(491)	—
Gain on sale of capital assets	6,540	414	6,954	—
Total nonoperating revenues (expenses)	<u>(17,465)</u>	<u>50,752</u>	<u>33,287</u>	<u>581</u>
Income (loss) before contributions	<u>(8,928)</u>	<u>4,417</u>	<u>(4,511)</u>	<u>(880)</u>
Capital contributions	<u>18,271</u>	<u>6,654</u>	<u>24,925</u>	<u>—</u>
Changes in net assets	9,343	11,071	20,414	(880)
Total net assets – beginning	<u>8,040</u>	<u>60,500</u>	<u>68,540</u>	<u>5,801</u>
Total net assets – ending	<u>\$ 17,383</u>	<u>\$ 71,571</u>	<u>\$ 88,954</u>	<u>\$ 4,921</u>

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2006
(In Thousands)

	Business-type activities – Enterprise Funds			Governmental activities –
	Waterworks	Housing Agency	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Rental receipts	\$ —	\$ 3,313	\$ 3,313	\$ —
Receipts from users	—	—	—	2,989
Other operating receipts	1,000	1,347	2,347	—
Receipts from water sales	99,209	—	99,209	—
Receipts from interfund services provided	455	—	455	—
Cash payments to employees	(489)	(6,667)	(7,156)	—
Cash payments to suppliers of goods and services	(53,236)	(7,904)	(61,140)	(4,067)
Housing assistance payments	—	(32,828)	(32,828)	—
Payments in lieu of taxes	(9,424)	—	(9,424)	—
Payments for postretirement benefits	(2,216)	—	(2,216)	—
Tenant security and other deposits	(1,311)	67	(1,244)	—
Net cash provided by (used in) operating activities	33,988	(42,672)	(8,684)	(1,078)
Cash flows from noncapital financing activities:				
Intergovernmental revenues received	—	50,388	50,388	—
Net cash provided by noncapital financing activities	—	50,388	50,388	—
Cash flows from capital and related financing activities:				
Purchases and construction of capital assets	(42,581)	(5,893)	(48,474)	—
Contributions in aid of construction	241	—	241	—
Capital contributions received	—	6,654	6,654	—
Proceeds from sales of capital assets	1,398	489	1,887	—
Receipts on long-term note receivable	969	—	—	—
Proceeds of issuance of revenue bonds	88,647	—	88,647	—
Interest paid on capital debt	(27,182)	(97)	(27,279)	—
Payments on revenue bonds	(1,680)	—	(1,680)	—
Payments to bond escrow agent	(88,419)	—	(88,419)	—
Payments on notes payable	(218)	—	(218)	—
Payments on capital leases	—	(618)	(618)	—
Debt issuance costs paid	(1,043)	—	(1,043)	—
Net cash provided by (used in) capital and related financing activities	(69,868)	535	(70,302)	—
Cash flows from investing activities:				
Sales and maturities of investments	7,999	—	7,999	10,032
Settlement agreement proceeds	—	(12)	(12)	—
Investment purchases	—	(1,357)	(1,357)	(6,719)
Interest on investments	5,268	305	5,573	506
Net cash provided by (used in) investing activities	13,267	(1,064)	12,203	3,819
Net increase (decrease) in cash and cash equivalents	(22,613)	7,187	(16,395)	2,741
Cash and cash equivalents, beginning of year	85,835	4,334	90,169	599
Cash and cash equivalents, end of year	\$ 63,222	\$ 11,521	\$ 73,774	\$ 3,340

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2006
(In Thousands)

	Business-type activities – Enterprise Funds			Governmental activities – Internal Service Funds
	Waterworks	Housing Agency	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 8,537	\$ (46,335)	\$ (37,798)	\$ (1,461)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	18,716	4,382	23,098	—
Provision for uncollectible accounts	357	202	559	—
Change in assets and liabilities:				
Accounts receivable	1,671	14	1,685	(64)
Other assets	—	(73)	(73)	—
Deferred charge – postretirement benefit	2,579	—	2,579	—
Accounts payable	1,218	(943)	275	447
FSS escrow	—	68	68	—
Accrued payroll and payroll taxes	(1)	(25)	(26)	—
Accrued compensated absences	—	38	38	—
Customer deposits	350	—	350	—
Payments in lieu of taxes	2,167	—	2,167	—
Customer advances	(1,661)	—	(1,661)	—
Due to other funds	140	—	140	—
Unfunded postretirement benefit obligation	(85)	—	(85)	—
Net cash provided by (used in) operating activities	<u>\$ 33,988</u>	<u>\$ (42,672)</u>	<u>\$ (8,684)</u>	<u>\$ (1,078)</u>
Supplemental cash flow information:				
Noncash transactions:				
Contributions of capital assets	\$ 18,271	\$ —	\$ 18,271	\$ —
Note receivable issued for sale of capital assets	23,735	—	23,735	—
Settlement of liability in exchange for capital assets	350	—	350	—

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2006
(In Thousands)

	Police and Fire Pension Trust Funds	Agency Funds
	<hr/>	<hr/>
ASSETS		
Equity in pooled cash	\$ 1,350	\$ 4,264
Cash and investments with fiscal agents	—	14
Investments (U.S. government agencies)	8,151	5,864
Accrued interest receivable	74	59
Accounts receivable	8	76
	<hr/>	<hr/>
Total assets	<u>9,583</u>	<u>\$ 10,277</u>
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and other accrued liabilities	1,604	\$ 10,277
	<hr/>	<hr/>
Total liabilities	<u>1,604</u>	<u>\$ 10,277</u>
	<hr/>	<hr/>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 7,979</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF INDIANAPOLIS
Statement of Changes in Fiduciary Net Assets
Police and Firefighter Pension Trust Funds
Year ended December 31, 2006
(In Thousands)

	Police and Fire Pension Trust Funds
ADDITIONS	
State of Indiana pension subsidy received from the General Fund	\$ 35,064
Interest income and other	155
	<u>35,219</u>
Contributions:	
Employer	17,453
Plan members	159
	<u>17,612</u>
Total additions	<u>52,831</u>
DEDUCTIONS	
Benefits	<u>51,425</u>
Total deductions	<u>51,425</u>
Change in plan net assets	1,406
Net assets – beginning	<u>6,573</u>
Net assets – ending	<u><u>\$ 7,979</u></u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Indianapolis (“City”), located in Marion County, Indiana, was originally incorporated in 1832. On January 1, 1970, the government of the City, as defined by the Consolidated First-Class Cities and Counties Act, adopted by the 1969 Indiana General Assembly, and the County were unified (“Consolidated City”). Their form of service delivery was consolidated and certain of the City’s service boundaries were extended to generally coincide with those of the County. Four other municipalities located within the County boundaries are specifically excluded from most functions of the consolidated City by the consolidating act.

The City operates under an elected Mayor/Council (29 members) form of government and provides the following services: public safety (police and fire), culture and recreation, community development and welfare (including planning and zoning), highways and streets, environmental service (sanitary solid waste collection and disposal, sewerage, and wastewater treatment), water delivery systems, and general administrative services. In addition, the City has responsibility over the operations of the public housing facilities, although the financial and operating records are maintained outside of the City’s financial reporting systems.

The City’s financial reporting entity has been determined in accordance with governmental accounting standards defining the reporting entity and identifying entities to be included in its basic financial statements. The Indianapolis Housing Agency is responsible for the management, operation, maintenance, and administration of public housing and public housing projects. The Indianapolis Housing Agency (Enterprise Fund) (“Housing Agency”) has established a nonprofit entity, Partners for Affordable Housing, Inc. (“PAH”), which is legally separate from the Housing Agency and whose purpose is to foster low-income housing in and around Indianapolis. PAH is considered a blended component unit and is therefore reported as if it is a part of the primary government because its primary purpose is to provide services to the Housing Agency Enterprise Fund. The Housing Agency issues separate financial statements, which can be obtained by writing to Indianapolis Housing Agency, 1919 North Meridian Street, Indianapolis, Indiana 46202.

For financial reporting purposes, the City is considered to be a component unit of the Consolidated City of Indianapolis–Marion County Reporting Entity (unified government, commonly referred to as “Unigov”), as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*. The elected officials, the Mayor and the City-County Council (“Council”), serve as the executive and legislative body, respectively, for both the City and the County. The City is considered a legally separate organization for which its elected officials are financially accountable. This accountability is evidenced by the elected officials’ ability to: (a) approve the budget of the City; (b) veto, override, or modify the budget; and (c) establish tax levies. Additionally, the Mayor appoints the City’s deputy mayors and the City’s department directors subject to the approval of the Council, and also appoints the City Controller and Corporation Counsel. Other agencies included in the Consolidated City of Indianapolis–Marion County Comprehensive Annual Report, but not in the City’s financial statements, include: Marion County, the Health and Hospital Corporation of Marion County, Indianapolis Airport Authority, Indianapolis Public Transportation Corporation, Indianapolis-Marion County Public Library, and Capital Improvement Board of Managers. In addition, the Indianapolis-Marion County Building Authority is considered a joint venture of the City and the County and is not included in the City’s financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, and the rates are certified in the subsequent year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this basis of accounting, revenues are recognized as they become susceptible to accrual; generally, as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, including taxes other than property taxes, the City considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants, and interest on investments. Bond and notes issued are recorded as other financing sources, along with any related premium or discounts.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include:

- 1) Debt service fund bond principal and interest expenditures due through January 15 are recorded on the preceding December 31. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due (that is, matured).
- 2) Prepaid expenditures are not recorded as an asset in the fund financial statements.

GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions* ("GASB Statement No. 33"), groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as county option income tax) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include taxes such as wheel, auto excise, and financial institutions.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

All proprietary funds and pension trust funds are accounted for using the same measurement focus and basis of accounting as the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, except as to the accounting for certain pension costs, as explained in Note 16.

All agency funds are purely custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for under the accrual basis of accounting.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *federal grants fund* accounts for all grants received from the U.S. Departments of Housing and Urban Development, Justice, Transportation, Homeland Security and other miscellaneous Federal agencies.

The *revenue debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt of the Tax Increment Districts and on debt issued for construction of certain City golf courses, sanitary sewers, and for certain other small public works projects.

The *sanitary district capital projects fund* accounts for all the resources accumulated and payments made for construction of sanitary sewers and the advanced wastewater treatment plant.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

The City reports the following major enterprise funds:

The *waterworks enterprise fund* accounts for the activities of the government's water distribution operations. See Note 2 for information on the City's Waterworks operations.

The *housing agency enterprise fund* accounts for activities related to the development, acquisition, and administration of low-rent housing units.

Additionally, the City reports the following fund types:

Internal service funds account for the accumulation of resources to provide for the financing of workers' compensation and auto liability self-insurance for all City departments, as well as provide for the centralization of certain payments of awards, refunds, and indemnities.

Fiduciary funds are classified into sub-groupings – Agency Funds and Pension Trust Funds. Funds in this classification are used to account for assets held by the City in a fiduciary capacity. Agency Funds are custodial in nature (assets equal liabilities) and account for monies held on behalf of contractors, retirement boards, the E-911 dispatch program and for confiscated items related to public safety activities. Pension Trust Funds are those funds held in trust for disbursement to covered employees (see Note 16).

In the government-wide and proprietary fund financial statements, the City applies all applicable GASB pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the City's water function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all local taxes. State shared revenues, such as cigarette tax, are reported as grants and contributions not restricted to specific functions, unless they are restricted to specific functions, such as gasoline tax, in which case they are reported as operating grants and contributions.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Agency enterprise fund, of the Waterworks enterprise fund, and of the government's internal service funds are charges to customers for rents, sales, and services. Operating expenses for enterprise funds and internal service funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Payments in lieu of taxes constitute payment for services provided and are paid to various taxing authorities.

Indirect costs are included as part of the program expenses reported for individual functions and activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Effects of Rate Regulation

The City has elected for the Waterworks to continue to be rate-regulated by the Indiana Utility Regulatory Commission ("IURC"). The Waterworks follows the accounting and reporting requirements of Statement of Financial Accounting Standards Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* ("SFAS No. 71"). SFAS No. 71 provides that rate-regulated entities account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the statement of net assets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Net deferred costs at December 31, 2006 amount to \$1,232. Additionally, there are certain items which the IURC does not typically consider in establishing rates, such as acquisition adjustment and amortization of intangible assets. See Note 14 regarding contingencies related to these regulatory assets and liabilities.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

E. Cash and Investments

Investments are stated at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. When funds pool cash for investments, income from the pooled investments is allocated to the funds based on the participating fund's average daily equity balance.

F. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of March 1 of the previous year. The tax levy is divided into two billings due on May 10 and November 10 each year.

Noncurrent portions of long-term receivables in the governmental funds are reported on their balance sheets, notwithstanding their measurement focus. The noncurrent portion of the receivables that will ultimately result in the recognition of revenue has been reported as deferred revenue. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts since they are not considered available spendable resources.

G. Inventory

Inventory of the governmental funds is recorded as an expenditure when purchased; it is not recorded on the statement of net assets or the governmental funds balance sheet, as amounts are not considered material.

H. Restricted Assets

Certain proceeds of the Waterworks revenue bonds, as well as certain resources set aside for their repayment, amounting to \$32,227 at December 31, 2006, are classified as restricted assets on the statement of net assets and proprietary fund balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. In addition, certain funds set aside in a grantor trust are restricted for payment of postretirement benefits in the amount of \$8,703. Restricted assets at December 31, 2006 also include \$18,491 of unspent bond proceeds that are restricted for the construction of certain capital assets.

Restricted assets of the Housing Agency amounted to \$619 at December 31, 2006 and relate to tenant deposits and funds held in the Family Self-Sufficiency ("FSS") Escrow.

I. Intangible Assets

An intangible asset was recorded in connection with the purchase of the Waterworks (see Note 2), which represents a negotiated amount paid by the City for the right to operate the Waterworks. This original amount of \$245,000 is being amortized on a straight-line basis over 40 years, which approximates the aggregate remaining useful life of the related utility plant assets purchased. Amortization expense during the year amounted to \$6,125. At December 31, 2006, the intangible asset is \$216,417, which is net of accumulated amortization of \$28,583.

J. Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, and infrastructure (e.g., streets, bridges, sewers, storm drains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with cost or donated value beyond prescribed levels and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

Governmental Activities

The prescribed capitalization levels for governmental activities are:

- All land acquired by the City is capitalized. Land improvements of \$25 or greater are capitalized.
- All new construction of City buildings is capitalized. Rehabilitation of \$75 or greater is capitalized.
- Equipment and vehicles of \$5 or greater are capitalized.

Beginning January 1, 2002, infrastructure projects of \$25 or greater are capitalized. Infrastructure assets acquired before January 1, 2002 have been capitalized if estimated historical cost or donated value was near or above the criteria for major infrastructure as defined by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* (“GASB Statement No. 34”).

Depreciation for governmental activities is calculated using the straight-line method and no salvage value. Depreciation lives are as follows:

Land improvements	30 years individual depreciation
Buildings	50 years individual depreciation
Building improvements	20 years individual depreciation
Equipment and vehicles	3 to 20 years individual depreciation
Streets, curbs, sidewalks, traffic signals	30 years group depreciation
Bridges	60 years individual depreciation
Sewer and storm mains, manholes, inlets, and culverts	60 years group depreciation
Sewer and storm lift stations	60 years individual depreciation

Business-type Activities

Housing Agency

The prescribed capitalization levels for the Housing Agency enterprise fund are as follows:

Land, buildings, and improvements	\$5
Equipment and vehicles	\$1

Depreciation for the Housing Agency enterprise fund is calculated using the straight-line method and no salvage value. Depreciation lives are as follows:

Buildings	25 years individual depreciation
Building and site improvements	20 years individual depreciation
Equipment and vehicles	3 to 7 years individual depreciation

Waterworks

The prescribed capitalization level for the Waterworks enterprise fund is \$5 for all items. Depreciation for the Waterworks enterprise fund is calculated using the straight-line method over the estimated useful life of the various classes of depreciable assets. The group method is used to calculate depreciation, except for vehicles, which are depreciated individually. Depreciation lives vary widely; e.g., computers 4.72 years and supply mains 35.59 years to 71.94 years. Depreciation of utility plant assets averaged 2% in 2006.

When utility plant in service is retired, except for land and land rights, the accumulated cost of the retired property is credited to utility plant, and such costs, together with the cost of removal less salvage, are charged against accumulated depreciation. If land, land rights, or other equipment are sold, the net gain or loss is included as gain on sale of capital assets.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

Property not currently used in utility operations is included in other capital assets.

K. Customer Advances and Contributions in Aid of Construction

The Waterworks allows developers to install or provide for the installation of main extensions, which are to be transferred to the Waterworks upon completion. A portion of the cost of the main extensions and the amount of any funds advanced for the cost of water mains installed are included in customer advances for construction and are refundable over a period of 10 years as new customer hook-ups are attached to the main extensions. The amount refundable for a new hook-up is determined at the time the main extension is completed and is based on a portion of projected utility revenues from the main extension. Advances not refunded within 10 years will be transferred to contributed capital. Historically, a portion of customer advances for construction has not been refunded to the developer. Upon purchase of the Waterworks in 2002, the City recorded an amount for customer advances in the amount of \$15,000. This liability was estimated based on amounts outstanding and historical experience of the Waterworks prior to its purchase by the City. At December 31, 2006, customer advances amount to \$13,141. In addition, the City recorded \$54,318 in contributions in aid of construction, which represents the amount that was recorded by the Waterworks prior to its purchase by the City and must be carried forward under regulatory accounting requirements. Contributions in aid of construction amounted to \$57,897 at December 31, 2006 and are netted against the capital assets balance. This balance is being amortized over the estimated remaining useful life of the related utility plant in service. Amortization expense in 2006 amounted to \$1,696.

L. Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Treasurer of Marion County, Indiana ("Treasurer"). These taxes are then distributed by the Auditor of Marion County, Indiana ("Auditor") to the City and the other governmental entities at June 30 and December 31 of each year. The City and the other governmental entities can request advances of their portion of the collected taxes from the Treasurer once the levy and tax rates are certified by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance typically certifies the levy on or before February 15 of the year following the property tax assessment.

The City's 2006 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2005 assessed valuations, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2006 property taxes was March 1, 2005 (assessment date); however, the City does not recognize a receivable on the lien date, as the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the true tax value. In 2006, taxes were due and payable to the Treasurer in two installments on May 10, 2006 and November 10, 2006. The Auditor distributed all property taxes collected by November 10, 2006 to each applicable governmental entity based upon their levy amounts prior to December 31, 2006. Delinquent property taxes outstanding at December 31, 2006, net of allowance for uncollectible accounts, are recorded as a receivable in the government-wide statements. The fund statements have recorded the same receivable and a corresponding amount in deferred revenue since the amounts are not considered available.

M. Deferred and Unearned Revenues

Deferred revenue is reported in the fund financial statements for receivables that are not considered available at year-end or for which eligibility requirements have not been met. See Note 1.C. for further discussion on the City's availability policy.

Unearned revenue, on the other hand, is reported in the government-wide financial statements. The availability period does not apply; however, amounts may not be earned due to eligibility requirements.

N. Unbilled Service Revenues

Operating revenues for the Waterworks includes sales of water. These revenues are billed to customers monthly on a cycle basis. Revenues are billed every other month based on meter readings and include a true up for any necessary adjustment for the prior month's estimated billing. Unbilled revenue is recorded based on estimated usage from the date of the latest billing to the end of the accounting period. Unbilled revenues are included in accounts receivable and amounted to \$3,700 at December 31, 2006.

O. Risk Management

The City is insured for property and certain liability losses, subject to certain deductible amounts, except that it is self-insured for auto liability, general liability (excluding certain other catastrophes) and workers' compensation inpatient services and services delivered at a site other than that provided for in the workers' compensation agreement. Expenses are recorded when a determinable loss is probable and the amount of the loss can be estimated.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

The change in claims for 2005 and 2006, including an estimate of incurred but not reported claims, is as follows:

	Auto liability reserve	Workers' compensation	Public liability self-insurance
Unpaid claims, December 31, 2004	884	2,312	2,024
Incurred claims and changes in estimates	444	2,273	1,330
Claims paid	<u>(259)</u>	<u>(2,483)</u>	<u>(1,651)</u>
Unpaid claims, December 31, 2005	\$ 1,069	\$ 2,102	\$ 1,703
Incurred claims and changes in estimates	7	2,471	2,321
Claims paid	<u>(169)</u>	<u>(2,745)</u>	<u>(1,438)</u>
Unpaid claims, December 31, 2006	<u><u>\$ 907</u></u>	<u><u>\$ 1,828</u></u>	<u><u>\$ 2,586</u></u>

The City has entered into contracts with a company to service its workers' compensation and auto liability claims. Under the terms of the contracts, the City is required to maintain a minimum level of funds in a "loss fund account" with the company for the purpose of paying claims and losses. These amounts are recorded as an asset since the self-insurance risk is not transferred to the service agent. The City records a liability for the estimated outstanding losses at year-end, which includes an accrual for incurred but not reported claims and is included in accounts payable and other current liabilities in the statement of net assets. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The City accounts for the self-insurance programs in internal service funds.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and job-related illnesses or injuries to employees. The City individually handles these risks of loss through combinations of risk retention and commercial insurance.

There have been no significant reductions in insurance coverage in the last year. Settled claims have not exceeded commercial coverage in the past three years.

The Housing Agency enterprise fund is a member of the Housing Authority Risk Retention Group, Inc. ("Group"), which provides general liability, public official, and lead-based paint insurance to participating public housing authorities throughout the United States. Coverage provided by general liability is \$5,000 per year with a deductible of \$5 for general liability and \$10 for property claims per occurrence. Management believes that the number of outstanding claims and potential claims outstanding does not materially affect the financial position of the Housing Agency enterprise fund. The risk of participation in the Group is limited to the initial equity contribution of \$90, any subsequent additional equity contribution as determined by the Group's Board of Directors, and the payment of annual premiums for its general liability insurance coverage. The Housing Agency enterprise fund has an investment of \$143 in the Group at December 31, 2006. Although the underwriting experience of the Group may result in increased annual premium charged and/or assessments against each participant's equity contribution account, the exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required.

The Waterworks' assets are protected by various insurance policies required to be carried by the contractor operating the facilities. This includes motor vehicle liability, general liability, environmental liability, property damage, and various other coverages. In addition, the City is self-insured for claims arising from damage due to water main breaks. The City pays for such claims as they become due. The City does not believe that any claims to be paid under this coverage are material to the financial statements.

P. Compensated Absences

City employees earn benefit leave days (in lieu of all vacation, sick, and other accrued leave time), which accumulate to a maximum of 37 days per year, depending on length of service. One hundred seventy-six hours earned benefit leave can be carried forward to subsequent years, and an additional 80 hours can be carried forward upon appropriate approval. Accumulated unused sick leave earned before September 1, 1994 is payable only upon the death or retirement of an employee, and only half the accumulated sick leave is then payable.

The entire cost of benefit and sick leave is recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the year ended December 31, 2006.

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Q. Pensions

The City records expenditures for pension obligations as payments are made to pensioners or to the State of Indiana for State-administered plans. The City records pension payments made by the State of Indiana on its behalf as both a revenue and an expenditure. Unfunded pension obligations are recorded in the government-wide statements in the long-term liabilities due in more than one year.

R. Estimates and Uncertainties

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

S. Interfund Transactions

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated if they occur between funds. Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and a reduction of the expenditure or expenses of the reimbursed fund. Charges or collections for services rendered by one fund for another fund are recognized as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

T. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances. Encumbrances outstanding at year-end will remain in force and will be liquidated under the current year's budget.

U. Amortization of Bond Costs and Amounts Deferred on Refundings

In the government-wide financial statements and the proprietary fund types in the fund financial statements, bond or note discounts and premiums are recorded as a reduction or addition to the debt obligation, and bond or note issuance costs are recorded as deferred charges. Bond or note discounts and premiums are amortized using the effective interest method and bond or note issuance costs are amortized using the straight-line method over the term of the related bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

V. Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including cash and investments with fiscal agents and restricted assets) with an original maturity of three months or less at the date of purchase.

W. Change in Accounting Treatment for Overdraws of Section 8 Housing Assistance Fund – Housing Agency

In January 2006, the Department of Housing and Urban Development ("HUD") issued notice PIH 2006-03 which, among other things, changed the regulatory reporting requirements for the overdraws of Section 8 voucher funds. Previously, HUD had required that overdraws of Section 8 and any other grants, be presented in financial disclosures as a liability. The Housing Agency had presented such overdraws in prior years financial statements as current liabilities to which subsequent year voucher payments would be charged. Notice PIH 2006-03, and subsequent interpretive guidance issued by HUD, requires all public housing agencies with fiscal years ended December 31, 2006 or later report overdrawn Section 8 voucher funds as unrestricted net assets in the Financial Data Schedule filings. The Housing Agency changed its treatment of Section 8 overdraws in 2005 presenting them as unrestricted designated net assets. Net assets designated for future Section 8 payments were \$7,061 as of December 31, 2006.

The Housing Agency entered into an agreement with HUD to repay the prior year Section 8 overdraw liability in ten equal annual installments beginning in 2006. The Housing Agency and HUD have agreed to follow the repayment plan and exclude the underlying liability from the treatment required by PIH 2006-03. The change in treatment described above has no effect on prior year net assets.

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X. Future Adoption of Accounting Pronouncements

GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, Statement No. 50, *Pension Disclosures*, and Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The City intends to implement these GASB statements on their respective effective dates.

Y. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

- 1) Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition or construction of those assets.
- 2) Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent revenue sources that are required by statute to be expended only for specific purposes.
- 3) Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

2. Waterworks Operations

In the summer of 2000, NiSource, Inc. (“NiSource”), an unrelated third party, indicated its intention to merge with Columbia Energy Group of Virginia. Under federal law regarding the regulation of public utility holding companies, federal regulators ordered NiSource to divest itself of all water utility assets by November 2003. In September 2000, the City petitioned the Indiana Utility Regulatory Commission (“IURC”) to begin the process of purchasing the water utility assets of the Indianapolis Water Company (“IWC”) and other assets of IWC Resources Corporation (“IWCR”) and its subsidiaries.

In November 2001, the City entered into an Asset Purchase Agreement with NiSource and IWCR (its subsidiary) providing for terms and conditions of the City’s acquisition of the assets comprising substantially all of IWCR’s water utility assets. The Asset Purchase Agreement was finalized and completed on April 30, 2002. The City created the Waterworks Department which in turn acquired substantially all of the assets of IWC and five other smaller subsidiaries of IWCR: (i) Harbour Water Corporation, (ii) Darlington Water Works Company, (iii) Liberty Water Corporation, (iv) IWC Morgan Water Corporation, and (v) Irishman’s Run Acquisition Corporation. Irishman’s Run Acquisition Corporation was subsequently sold in 2002 to an unrelated party.

IWC or other subsidiaries of IWCR provide water service in most areas of the City of Indianapolis and Marion County, and portions of the surrounding counties of Boone, Hamilton, Hancock, Hendricks, Montgomery, and Morgan. A total of approximately 309 customers (approximately 1.1 million people) is served by the DOW. Approximately seventy-five percent (75%) of the customers are located in Marion County.

The City paid cash of \$380,100 and assumed \$222,897 of NiSource’s liabilities, including \$2,500 of IWC preferred stock, in connection with the purchase. The City issued its Waterworks District Net Revenue Bonds, Series 2002 A (Tax-Exempt) and Series 2002 B (Taxable) (collectively referred to as the “Waterworks Series 2002 A and B Bonds”) in a total amount of \$580,370 to finance the purchase. The acquisition was accounted for as a purchase, and the results of operations of the Waterworks were included in the City’s financial statements from the acquisition date of April 30, 2002 (i.e., eight months of operations in 2002). The City liquidated \$119,991 of the assumed liabilities upon issuance of the Waterworks Series 2002 A and B Bonds. As a result of the acquisition, an intangible asset of \$245,000 was recorded, which represents a negotiated amount paid by the City to NiSource for the right to operate the Waterworks. The difference between the purchase price paid for the regulated portion of the Waterworks’ assets by the City and the underlying book value of the net assets acquired has been classified as plant acquisition adjustment, which is a separate component of utility plant assets. The plant acquisition adjustment amounted to \$184,195 at the acquisition date and is being amortized over a period of forty (40) years based on the estimated aggregate remaining useful life of the related plant assets.

On March 21, 2002, the City entered into a management agreement with U.S. Filter Operating Services, Inc. During 2004, U.S. Filter Operating Services, Inc. changed its name to Veolia Water Indianapolis, LLC (“Veolia”). Veolia provides the administrative, management, and operational functions of operating the Waterworks. See further information on the management agreement in Note 14. All employees of IWCR became employees of U.S. Filter (now Veolia) upon completion of the purchase and execution of the management agreement.

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On January 31, 2006, the Department of Waterworks closed on an asset purchase agreement with the town of Plainfield, for the assets of the Liberty Water Corporation.

On June 30, 2006, the Department of Waterworks sold certain water utility assets in Clay Township to the City of Carmel.

On October 31, 2006 the Department of Waterworks closed an asset purchase agreement with Aqua Indiana, LLC., for the assets of Darlington Water Works Company located in Montgomery County.

3. Cash and Investments

A summary of all cash and investments at December 31, 2006 including a reconciliation to the financial statement amounts is as follows:

Cash and investments	\$ 359,947
Cash and investments with fiscal agents	182,476
Restricted assets	60,040
Cash and investments -- Fiduciary Funds	19,629
Cash and investments with fiscal agents -- Fiduciary Funds	<u>14</u>
Total cash and investments	<u><u>\$ 622,106</u></u>

Due to different management and investing policies, the remaining cash and investment disclosures for the City are presented separately for the primary government excluding the Housing Agency and for the Housing Agency.

Primary Government Excluding Housing Agency

Investments are recorded at fair market value. Fair value for investments is determined by closing market prices at year-end. It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state/local statutes governing the investment of public funds.

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio..

Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

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As of December 31, 2006, funds were invested as follows (excluding Housing Agency):

Investment type	Market value	Investment maturities (in years)	
		Less than 1	1-5
Federal Home Loan Bank	\$ 131,923	\$ 71,737	\$ 60,186
Federal Home Loan Mortgage Corporation	33,019	8,483	24,536
Federal National Mortgage Association	77,686	22,419	55,267
Federal Farm Credit Bank	1,982	—	1,982
Commercial Paper	12,904	12,904	—
United States Treasury Notes	345	—	345
Government-Backed Mutual Funds	130,535	130,535	—
Government-Backed Repurchase Agreements	87,878	87,878	—
Mutual Funds	8,609	8,609	—
	<u>\$ 484,881</u>	<u>\$ 342,565</u>	<u>\$ 142,316</u>

States statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments can be made in obligations of the United States Government or any agency or instrumentality thereof. All City investments must mature within 2 years from date of investment unless managed by a bank's trust department and then the maturity length can be longer. Total cash deposits at December 31, 2006 amounted to \$124,346.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The City's investment policy provides that the City seeks to minimize the risk that the market value of securities in its portfolio will decrease due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services. The City uses the highest integrity when choosing an instrument of investment. The City keeps its credit risk as it pertains to investments at a low rate by requiring all investments of the City be rated in the three highest ratings categories by Moody's Investor Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

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Investments were rated as follows by Moody's, Standard & Poor's, or Fitch rating service at December 31, 2006:

Investment type	Market value	Rating
Federal Home Loan Bank	\$ 131,923	AAA
Federal Home Loan Mortgage Corporation	33,019	AAA
Federal National Mortgage Association	77,686	AAA
Federal Farm Credit Bank	1,982	AAA
United States Treasury Notes	345	AAA
Government-Backed Mutual Funds	130,535	AAA
Government-Backed Repurchase Agreements	87,878	AAA
Commerical Paper	12,904	AAA
Mutual Funds	8,609	Not rated
	<u>\$ 484,881</u>	

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. The City's investment policy requires that repurchase agreements be covered by adequate pledge collateral. In order to anticipate market changes and provide a level of security for all funds, the market value (including accrued interest) of the collateral should be at least 102%.

At December 31, 2006, all City investments and all collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

Concentration of Credit Risk

The City Policy provides that the City may invest up to 30% of their investment pool in negotiable certificates of deposit having maturities of the less than two years and in multiples of one million dollars providing that market yields on certificates of deposit exceed treasury bills of comparable maturity duration. The City has no investments in certificates of deposit at December 31, 2006.

Housing Agency

The following summarizes the Housing Agency's policy and investment activity:

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits

In accordance with Section 401(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Housing Agency to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Housing Agency, and comply with all federal, State and local statutes or ordinances governing the investment of public funds.

During the year ending December 31, 2006, the Housing Agency held one savings account, one certificate of deposit account with Fifth Third bank, and one institutional money market deposit account with AIM Investments. Demand deposits are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund.

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Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that the Housing Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution.

The Housing Agency has one institutional money market deposit account valued at \$86 to consider for credit risk and custodial credit risk. The money market account had a Standard and Poor credit rating of AAA, a Moody's credit rating of Aaa, and Fitch rating of AAA. A certificate of deposit was held at December 31, 2006 amounting \$1,357 which was unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The Housing Agency has one institutional money market deposit account valued at \$86, which represents 100% of uninsured deposits and investment accounts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The nature of the Housing Agency's deposits and investments do not present high exposure to interest rate market risks due to their short term nature.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All Housing Agency deposits and investments are denominated in United States currency.

The Housing Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2006 is as follows:

	Carrying value	Bank balance
On hand	\$ —	\$ —
On deposit		
Insured by FDIC	100	100
Insured by Indiana Public Deposits Insurance Fund	11,336	11,869
Uninsured	<u>86</u>	<u>86</u>
	\$ <u>11,522</u>	\$ <u>12,055</u>

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4. Receivables Disaggregation

Accounts receivable as of year-end for the City, including the applicable allowances for uncollectible accounts are as follows:

	<u>Accounts</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total accounts receivable</u>
Governmental activities:				
General	\$ 41,767	\$ 30,658	\$ 3,334	\$ 75,759
Federal grants	—	35	—	35
Revenue debt service	—	34	—	34
Sanitary district capital projects	—	2,607	—	2,607
Other nonmajor governmental	12	4,119	2,648	6,779
Internal service	—	—	64	64
Total receivables	<u>41,779</u>	<u>37,453</u>	<u>6,046</u>	<u>85,278</u>
Allowance for uncollectible accounts	<u>(3,393)</u>	<u>—</u>	<u>—</u>	<u>(3,393)</u>
Total – governmental activities	<u>\$ 38,386</u>	<u>\$ 37,453</u>	<u>\$ 6,046</u>	<u>\$ 81,885</u>
Accounts not scheduled for collection during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Business-type activities:				
Waterworks	\$ 13,665	\$ —	\$ —	\$ 13,665
Allowance for uncollectible accounts	<u>(2,994)</u>	<u>—</u>	<u>—</u>	<u>(2,994)</u>
Total receivables	<u>10,671</u>	<u>—</u>	<u>—</u>	<u>10,671</u>
Housing Agency	<u>56</u>	<u>—</u>	<u>—</u>	<u>56</u>
Total – business-type activities	<u>\$ 10,727</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,727</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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5. Due from Federal and State Governments

Amounts due at December 31, 2006 were as follows:

	Governmental activities			Business-type activities
	General Fund	Federal Grants Fund	Other nonmajor governmental	Housing Agency
Reimbursements under federal grants from:				
U.S. Department of Housing and Urban Development (HUD)	\$ —	4,301	—	702
U.S. Department of Justice (DOJ)	—	620	—	21
U.S. Department of Transportation (DOT)	—	3,197	—	—
U.S. Department of Interior (DOI)	—	25	—	—
U.S. Department of Treasury	—	54	—	—
Federal Emergency Management Agency (FEMA)	64	402	—	—
U.S. Environmental Protection Agency (EPA)	157	—	—	—
U.S. Department of Education (DOE)	—	130	—	—
U.S. Department of Homeland Security (DHS)	—	5,173	—	—
U.S. Department of Agriculture	—	42	—	—
Due from State of Indiana grants	13	—	14	—
	<u>\$ 234</u>	<u>\$ 13,944</u>	<u>\$ 14</u>	<u>\$ 723</u>

At December 31, 2006, the City had available lines of credit or grant authorizations from HUD totaling \$16,733.

6. Long-term Receivables

A. Long-term receivables as of December 31, 2006 consist of the following:

The City has U.S. Department of Housing and Urban Development (“HUD”) loans outstanding at December 31, 2006 of \$26,955 including accrued interest of \$3,518. The City has provided a reserve of \$25,573 for these receivables given the uncertainty of collection. Many of these loans bear interest at rates ranging from 0 to 10% and mature over the next 34 years. Generally, principal and interest payments are based upon defined net cash flows and are deferred until sufficient cash flow is available. All deferred principal and interest are due at maturity. Loan repayments to the City are restricted for community and economic development purposes that would otherwise be eligible for reimbursement by HUD under Title I of the Housing and Community Development Act of 1974.

The Housing Agency has an agreement with Tibbs Court, LLP (“Tibbs Court”) to utilize HOPE VI federal funds to construct 50 units of public housing, of which 19 public housing units will exist for the use of the Housing Agency. As part of the transaction, the Housing Agency was required to pass through to Tibbs Court HOPE VI funds not to exceed \$1,625. At December 31, 2006, Tibbs Court had fully incurred all available expenditures related to the pass through grant.

In addition, the Housing Agency loaned Tibbs Court HOPE VI money which was composed of a \$200 non-interest-bearing loan which is due September 14, 2036 and a \$300 interest-bearing loan at 5.74%, which is due September 14, 2038. The entire amount of the loans plus accrued interest is due at the maturity dates. No public housing money can be used to repay the loans. The loans are secured by collateral assignment of the leases and rents of the mortgaged property. At December 31, 2006, the Housing Agency has not accrued any interest or revenue on either loan.

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The Housing Agency has entered into an agreement with BRINDY-I LP to develop low-income housing on previously cleared land owned by the Housing Agency. Under the agreement, the Housing Agency or its controlled affiliate, Partners for Affordable Housing, made various loans to BRINDY-I LP as described below.

During 2005, the Housing Agency loaned to BRINDY-I LP HOPE VI money in the amount of \$347, which bears interest at an annual rate of 4.84% and is due on June 30, 2044.

Additionally, the Housing Agency, through Partners for Affordable Housing, made loans of grant funds to BRINDY-I LP, which were composed of a \$300 non-interest-bearing loan which is due upon demand, but no later than December 31, 2036, and a \$31 non-interest bearing loan, which is also due upon demand or December 31, 2036.

The Department of Waterworks closed an asset purchase agreement with the City of Carmel for certain assets in Clay Township on June 30, 2006. The terms of this agreement call for initial payments of \$350 at closing and \$165 a month for 10 months. The extended payment terms calls for a payment of \$900 every six months for the subsequent nineteen years. At December 31, 2006, the net present value of the extended payments due under the terms of this agreement is approximately \$22,766. An effective interest rate of 4.88% was used to present value the note receivable. The future payments to be received are as follows.

Year ending December 31	Payment
2007	\$ 1,560
2008	1,800
2009	1,800
2010	1,800
2011	1,800
2012 – 2016	9,000
2017 – 2021	9,000
2022 – 2026	<u>7,440</u>
Total payments	34,200
Less: net present value of interest earnings	<u>11,434</u>
Total long-term note receivable	<u><u>\$ 22,766</u></u>

B. Long-term pledge receivable as of December 31, 2006 consists of the following:

The long-term pledge receivable amount outstanding as of December 31, 2006 is \$1,290. This amount is not recorded on the financial statements and represents a \$1,290 pledge receivable for Canal Square. The pledge agreement states that these funds shall be returned to the City only if a sale or refinancing occurs. If either event occurs, the City is entitled to full repayment; however, the City is subordinate to the mortgage and also to the investors (to the extent of their capital contributions).

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7. Capital Assets

Following is a summary of changes in capital assets for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,467	\$ 3,992	8,442	\$ 63,017
Construction in progress	78,431	84,333	85,416	77,348
	145,898	88,325	93,858	140,365
Capital assets being depreciated:				
Buildings	729,367	16,913	9,840	736,440
Improvements	152,827	967	—	153,794
Equipment	107,872	6,069	8,715	105,226
Infrastructure	3,264,926	122,119	59,605	3,327,440
	4,254,992	146,068	78,160	4,322,900
Less accumulated depreciation:				
Buildings	306,906	21,700	6,911	321,695
Improvements	59,018	4,499	—	63,517
Equipment	72,685	9,243	8,212	73,716
Infrastructure	2,093,115	85,738	59,533	2,119,320
Total accumulated depreciation	2,531,724	121,180	74,656	2,578,248
Total capital assets being depreciated, net	1,723,268	24,888	3,504	1,744,652
Governmental activities capital assets, net	\$ 1,869,166	\$ 113,213	\$ 97,362	\$ 1,885,017

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	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Business-type activities:				
Waterworks				
Capital assets not being depreciated:				
Land	\$ 17,227	\$ 1,090	\$ 171	\$ 18,146
Construction in progress	53,592	41,436	60,780	34,248
Total capital assets not being depreciated	70,819	42,526	60,951	52,394
Capital assets being depreciated:				
Water distribution and treatment system	781,190	77,442	26,146	832,486
Equipment	20,851	1,664	824	21,691
Total capital assets being depreciated	802,041	79,106	26,970	854,177
Less accumulated depreciation:				
Water distribution and treatment system	184,387	18,177	7,383	195,181
Equipment	9,254	677	814	9,117
Total accumulated depreciation	193,641	18,854	8,197	204,298
Less acquisition adjustment	173,698	—	4,781	168,917
Less contributions in aid of construction	59,352	241	1,696	57,897
Total capital assets being depreciated, net	375,350	60,011	12,296	423,065
Total Waterworks	446,169	102,537	73,247	475,459
Housing Agency				
Capital assets not being depreciated:				
Land	17,262	124	—	17,386
Total capital assets not being depreciated	17,262	124	—	17,386
Capital assets being depreciated:				
Buildings	122,179	5,665	737	127,107
Equipment	4,689	104	—	4,793
Total capital assets being depreciated	126,868	5,769	737	131,900
Less accumulated depreciation:				
Buildings	80,904	4,081	312	84,673
Equipment	3,122	301	—	3,423
Total accumulated depreciation	84,026	4,382	312	88,096
Total capital assets being depreciated, net	42,842	1,387	425	43,804
Total Housing Agency	60,104	1,511	425	61,190
Business-type activities capital assets, net	\$ 506,273	\$ 104,048	\$ 73,672	\$ 536,649

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 646
Public safety	6,742
Public works	101,437
Health and welfare	65
Cultural and recreation	4,980
Urban redevelopment and housing	4,244
Economic development and assistance	3,066
	<u>\$ 121,180</u>

Business-type activities:

Waterworks	\$ 18,854
Housing Agency	4,382
	<u>\$ 23,236</u>

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is capitalized and amounts to \$1,137 in 2006. At December 31, 2006, the City's commitments related to construction in progress are composed of the following:

	<u>Authorized</u>	<u>Accrued expenditures through December 31, 2006</u>	<u>Committed</u>
Department of Parks and Recreation	\$ 5,439	\$ 3,708	\$ 1,731
Department of Executive and Legislative	447	—	447
Department of Public Safety	961	961	—
Department of Public Works	145,604	69,683	75,921
Department of Metropolitan Development	4,361	2,996	1,365
Total governmental activities	<u>\$ 156,812</u>	<u>\$ 77,348</u>	<u>\$ 79,464</u>
Waterworks	\$ 53,234	\$ 34,248	\$ 18,986
Total business-type activities	<u>\$ 53,234</u>	<u>\$ 34,248</u>	<u>\$ 18,986</u>

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(In thousands)

8. Accounts Payable and Other Current Liabilities Dissaggregation

Accounts payable and other current liabilities as of year-end for the City are as follows:

	<u>Vendors</u>	<u>Third-party contracts</u>	<u>Lilly</u>	<u>Due to other governments</u>	<u>Claims and settlements</u>	<u>Accrued payroll and taxes</u>	<u>Other</u>	<u>Total payables and other current liabilities</u>
Governmental activities:								
General	\$ 12,435	\$ 73	\$ —	\$ 1,435	\$ 51	\$ 19,979	\$ 1,431	\$ 35,404
Federal grants	1,529	4,391	—	103	—	45	4,613	10,681
Revenue debt service	—	—	9,949	—	—	—	—	9,949
Sanitary district capital projects	9,694	—	—	139	648	—	—	10,481
Other nonmajor governmental	7,981	—	—	113	—	3	453	8,550
Internal service	7	—	—	—	5,314	—	—	5,321
	<u>31,646</u>	<u>4,464</u>	<u>9,949</u>	<u>1,790</u>	<u>6,013</u>	<u>20,027</u>	<u>6,497</u>	<u>80,386</u>
Adjustment to government-wide	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(816)</u>	<u>—</u>	<u>—</u>	<u>(816)</u>
Total—governmental activities	<u>\$ 31,646</u>	<u>\$ 4,464</u>	<u>\$ 9,949</u>	<u>\$ 1,790</u>	<u>\$ 5,197</u>	<u>\$ 20,027</u>	<u>\$ 6,497</u>	<u>\$ 79,570</u>
Accounts not scheduled for payment during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,949</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,949</u>
Business-type activities:								
Waterworks	\$ 13,472	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ —	\$ 13,479
Housing Agency	764	—	—	—	—	239	—	1,003
Total—business type activities	<u>\$ 14,236</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 246</u>	<u>\$ —</u>	<u>\$ 14,482</u>
Accounts not scheduled for payment during the subsequent year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The adjustment to government-wide amount of \$816 represents a settlement payable which was recorded as an accounts payable in the Internal Service Fund and is shown in long-term liabilities on the government-wide financial statements.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

9. Leases and Other Financing Transactions

A. Lessee Arrangements

1. Capital leases are described in the long-term debt section of the notes to the financial statements (Note 10).
2. Operating leases

The City has entered into various operating leases for rental of equipment and properties. Total rental expense for these operating leases was \$16,117 in 2006. The minimum future payments as of December 31, 2006 on these operating leases are as follows:

	<u>Governmental activities</u>	<u>Business-type activities Housing Agency</u>
2007	\$ 15,154	\$ 370
2008	14,702	370
2009	14,554	370
2010	14,512	—
2011	14,420	—
2012 – 2016	71,523	—
2017 – 2021	337	—
2022 – 2026	327	—
2027 – 2031	327	—
2032 – 2036	260	—
Total future payments	<u>\$ 146,116</u>	<u>\$ 1,110</u>

The City entered into an agreement with the Marion County Convention and Recreational Facility Authority (“MCCRFA”) to lease a portion of land located at the airport over a 25-year term expiring in December 2016. This land was being used for a major aircraft maintenance and overhaul center for United Airlines, Inc. (“United”) prior to United’s bankruptcy filing in 2003. The lease requires the City to make annual payments equal to MCCRFA’s debt service requirements.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

B. Lessor Arrangements

The City is the lessor in several operating lease agreements with outside parties. These leases include various properties and portions of property acquired by the City. The estimated value of the leased property is \$3,107. These properties are leased for terms generally ranging from 5 to 50 years. Total rental income amounted to \$531 in 2006.

The minimum future rental income to be received as of December 31, 2006 on these operating leases is as follows:

	Governmental activities	Business-type activities Waterworks
2007	\$ 429	\$ 21
2008	385	21
2009	324	—
2010	322	—
2011	308	—
2012 – 2016	1,418	—
2017 – 2021	828	—
2022 – 2026	605	—
2027 – 2031	605	—
2032 – 2036	484	—
Total future receipts	<u>\$ 5,708</u>	<u>\$ 42</u>

C. Other Financing Transactions

City Market:

In 2001, the City renewed its long-term operating lease with the Indianapolis City Market Corporation (“Market”), a not-for-profit organization formed for the purpose of operating the Indianapolis City Market. The lease extended through February 2006 and provides for a five-year renewal option at that time. No agreement has been reached as of the report date and therefore the lease is month to month at this time. The Market is to pay an annual rental fee of \$1.00, plus 100% of the net cash flow, if any, remaining after the payment of normal costs of operations and maintenance. In 2006, the City was required to contribute additional subsidies to the Market of \$445.

Circle Centre Mall:

In January 1994, the City entered into a long-term operating lease with Circle Centre Development Company, an Indiana general partnership. The lease extends through December 2027 and provides seven options to extend the term for 10 years. No rental payments are due under the lease.

CITY OF INDIANAPOLIS
Notes to Financial Statements
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10. Long-term Liabilities

A. Changes in Long-term Debt

The following is a summary of long-term debt and other long-term liabilities for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within one year
Governmental activities:					
Bonds payable:					
Serial bonds payable	\$ 338,642	\$ 1,816	\$ 20,073	\$ 320,385	\$ 23,141
Tax increment bonds payable	468,392	6,735	36,264	438,863	13,375
Revenue bonds	248,557	171,678	13,609	406,626	16,224
Deferred amounts					
Less: Deferred discounts	(520)	—	(18)	(502)	—
Loss on refunding	(3,580)	—	(290)	(3,290)	—
Plus: Deferred premiums	4,736	2,691	1,010	6,417	—
Total bonds payable	1,056,227	182,920	70,648	1,168,499	52,740
Notes payable	42,648	28,323	23,343	47,628	29,906
Capital leases payable	2,020	—	908	1,112	961
Net pension obligation	379,615	5,891	—	385,506	—
Compensated absences	21,406	19,826	18,881	22,351	9,894
Settlements payable	1,467	—	651	816	91
Total governmental activities	\$ 1,503,383	\$ 236,960	\$ 114,431	\$ 1,625,912	\$ 93,592
Business-type activities:					
Waterworks:					
Revenue bonds	\$ 757,140	\$ 77,830	\$ 84,045	\$ 750,925	\$ 2,655
Less: Loss on refunding	(58,859)	(7,882)	9,813	(56,928)	—
Plus: Deferred premiums	3,100	10,817	328	13,589	—
Total bonds payable	701,381	80,765	94,186	707,586	2,655
Notes payable	869	—	218	651	217
Customer advances	14,802	56	1,717	13,141	—
Unfunded postretirement obligation	46,214	—	85	46,129	—
Housing Agency:					
Capital leases payable	2,506	—	618	1,888	651
FSS escrow	456	248	180	524	225
Due to other governmental units	1,291	—	129	1,162	129
Long term utilities liability	397	—	360	37	37
Compensated absences	307	578	539	346	30
Total business-type activities	\$ 768,223	\$ 81,647	\$ 98,032	\$ 771,464	\$ 3,944

CITY OF INDIANAPOLIS
Notes to Financial Statements
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B. General Obligation Bonds

The City, through the Indianapolis Local Public Improvement Bond Bank (“Bond Bank”) issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Civil City Bonds:				
Multi-Purpose, Series 2003 D	07/09/2003	01/01/2018	3.000 – 5.500 %	\$ 761
Pension Bonds, Series 2005 A	02/03/2005	01/15/2022	3.660 – 5.280	<u>100,000</u>
Total General Municipal Bonds				<u>100,761</u>
Redevelopment District Bonds:				
Redevelopment District of 1993:				
Capital appreciation	02/18/1993	01/01/2013	5.500 – 6.300	30,835
Redevelopment District of 1995	12/19/1995	01/01/2015	4.000 – 6.150	<u>2,180</u>
Total Redevelopment District Bonds				<u>33,015</u>
Sanitary District Bonds:				
Sanitary District of 1993 – 1st	02/18/1993	01/01/2007	5.400 – 5.650	3,525
Sanitary District of 1993 – 2nd	02/18/1993	01/01/2018	5.700 – 6.000	51,825
Sanitary District of 1995	12/19/1995	01/01/2015	4.600 – 5.250	4,215
Sanitary District of 2003 Refunding	07/09/2003	01/01/2018	3.000 – 5.250	<u>11,914</u>
Total Sanitary District Bonds				<u>71,479</u>
Public Safety Comm Systems & Computer Facilities Dist. Bonds Series 1999 A	08/01/1999	01/01/2010	4.450 – 4.800	\$ <u>8,200</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
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(In thousands)

	<u>Issue date</u>	<u>Final maturity date</u>	<u>Interest</u>	<u>Outstanding</u>
Flood Control District Bonds:				
Flood Control District of 1993 – 1st	02/18/1993	01/01/2007	5.100 – 5.650 %	\$ 1,275
Flood Control District of 1993 – 2nd	02/18/1993	01/01/2018	5.750 – 6.000	9,645
Flood Control District of 1995	12/19/1995	01/01/2015	4.500 – 6.150	1,480
Flood Control District Refunding Bonds, Series 2003 A	07/09/2003	01/01/2018	3.000 – 5.250	<u>6,891</u>
Total Flood Control District Bonds				<u>19,291</u>
Metropolitan Thoroughfare District Bonds:				
Metropolitan Thoroughfare District – 1993 – 1st	02/18/1993	01/01/2008	4.100 – 5.700	6,465
Metropolitan Thoroughfare District – 1993 – 2nd	02/18/1993	01/01/2008	3.900 – 6.000	37,090
Metropolitan Thoroughfare District Refunding, Series 2003A	07/09/2003	01/01/2018	3.000 – 5.500	13,141
Metropolitan Thoroughfare District, Series 2003 A	07/09/2003	01/01/2018	3.000 – 5.500	<u>2,895</u>
Total Metropolitan Thoroughfare District Bonds				<u>59,591</u>
Park District Bonds:				
Park District of 1993 – 1st	02/18/1993	01/01/2008	5.100 – 5.700	2,365
Park District of 1993 – 2nd	02/18/1993	01/01/2018	5.750 – 6.000	20,715
Park District of 1993 Refunding, Series 2003 A	07/09/2003	01/01/2018	3.000 – 5.500	<u>4,968</u>
Total Park District Bonds				<u>28,048</u>
Total General Obligation Bonds				320,385
Less: Matured bonds payable recorded in the debt service funds				<u>(20,456)</u>
General obligation bonds payable				<u>\$ 299,929</u>

All principal and interest payments are due on January 1 and July 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 in the year before payment is due and provides the amount in the Debt Service Funds. All serial bond principal and interest payments due January 1, 2007 have been recorded as matured bonds payable and matured interest payable at December 31, 2006 within the fund financial statements.

CITY OF INDIANAPOLIS
Notes to Financial Statements
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(In thousands)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending December 31	Civil City		Redevelopment General		Sanitary		Flood Control	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,761	\$ 4,763	\$ 3,200	\$ 107	\$ 4,701	\$ 3,964	\$ 3,894	\$ 983
2008	5,305	4,608	3,205	97	4,289	3,713	2,480	807
2009	5,110	4,402	6,585	87	4,962	3,457	1,051	711
2010	5,325	4,193	6,595	76	5,232	3,174	1,108	652
2011	5,545	3,968	6,605	63	5,533	2,873	1,164	588
2012 – 2016	31,720	15,850	13,820	118	32,147	9,103	6,694	1,840
2017 – 2021	40,360	7,208	—	—	14,615	870	2,900	173
2022 – 2026	4,635	122	—	—	—	—	—	—
	100,761	45,114	40,010	548	71,479	27,154	19,291	5,754
Less deferred interest on capital appreciation bonds	—	—	(6,995)	—	—	—	—	—
	<u>\$ 100,761</u>	<u>\$ 45,114</u>	<u>\$ 33,015</u>	<u>\$ 548</u>	<u>\$ 71,479</u>	<u>\$ 27,154</u>	<u>\$ 19,291</u>	<u>\$ 5,754</u>
	Metropolitan Thoroughfare		Park		MECA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 6,110	\$ 3,235	\$ 295	\$ 1,610	\$ 1,905	\$ 368	\$ 22,866	\$ 15,029
2008	6,208	2,891	2,617	1,527	2,000	271	26,104	13,915
2009	3,643	2,617	1,929	1,400	2,095	168	25,375	12,842
2010	3,846	2,410	2,039	1,289	2,200	57	26,345	11,851
2011	4,056	2,189	2,157	1,171	—	—	25,060	10,853
2012 – 2016	24,042	7,064	12,792	3,778	—	—	121,215	37,755
2017 – 2021	11,686	692	6,219	370	—	—	75,780	9,314
2022 – 2026	—	—	—	—	—	—	4,635	122
	59,591	21,098	28,048	11,145	8,200	864	327,380	111,681
Less deferred interest on capital appreciation bonds	—	—	—	—	—	—	(6,995)	—
	<u>\$ 59,591</u>	<u>\$ 21,098</u>	<u>\$ 28,048</u>	<u>\$ 11,145</u>	<u>\$ 8,200</u>	<u>\$ 864</u>	<u>\$ 320,385</u>	<u>\$ 111,681</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
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(In thousands)

C. Tax Increment Revenue Bonds

These bonds are issued to provide funds for the construction and maintenance of the City's infrastructure, such as streets, sewers, and sidewalks. These bonds will be repaid from amounts levied against the property owners that will benefit by this construction.

	Issue dates	Final maturity dates	Effective interest rates	Balance December 31, 2006
Redevelopment District 1991:				
Interest-bearing	04/01/1991	02/01/20	5.900 – 6.750 %	\$ 20,755
Capital appreciation	04/01/1991	02/01/20	7.100 – 7.250	18,425
Less discount				(4,200)
				<u>14,225</u>
Redevelopment District 1992	04/01/92	02/01/20	5.500 – 6.800	<u>91,125</u>
Redevelopment District 1999 Series B:				
Interest-bearing	07/15/99	02/01/29	4.250 – 5.800	8,495
Capital appreciation	07/15/99	02/01/29	5.650 – 5.820	241,640
Less discount				(152,247)
				<u>89,393</u>
Redevelopment District 2000 Series A	12/19/00	02/01/21	4.450 – 5.500	<u>9,370</u>
Redevelopment District 2002 Series A	12/30/02	02/01/20	6.191	<u>128,905</u>
Redevelopment District 2002 Series B	12/19/02	02/01/29	3.900 – 5.000	<u>29,365</u>
Redevelopment District 2004 Series A	07/08/04	02/01/28	5.150 – 5.150	<u>12,600</u>
Redevelopment District 2004 Series A, Junior Subordinate	10/28/04	08/01/14	variable rate	<u>4,501</u>
Redevelopment District 2004 Series B	10/28/04	08/01/14	variable rate	<u>12,530</u>
Redevelopment District 2004 Series C	10/28/04	02/01/13	variable rate	<u>17,600</u>
Total tax increment revenue bonds				<u>\$ 438,863</u>

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All principal and interest payments are due on January 15 and July 15, February 1 and August 1 of the respective year. Accordingly, the City appropriates all payments due on January 15 and February 1, in the year before payment is due and provides the amount in the Debt Service Funds. All Tax Increment Bond principal and interest payments due January 15, 2006 have been recorded as matured bonds payable and matured interest payable at December 31, 2006 in the fund financial statements.

The City has previously issued its Redevelopment District Taxable Junior Subordinate Tax Increment Revenue Refunding Bonds, Series 2004 A and Series 2004 B in the amount of \$14,600 and \$13,985, respectively, to the Indianapolis Local Public Improvement Bond Bank which issued its related Taxable Refunding Notes of 2004, Series A and Series B in the amount of \$14,600 and \$13,985, respectively. Interest is variable and is calculated on an actual/360 day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon the London InterBank Offering Rate Index ("LIBOR") plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR or 90-day LIBOR prior to each interest period. On December 31, 2006, the interest rate on the Series A was 4.79% and was based on the 30-day LIBOR. The interest rate on the Series 2004 B on December 31, 2006 was 5.31% and was based on the 30-day LIBOR.

The City has previously issued its Redevelopment District Bonds, Series 2004 in the amount of \$17,600 to the Indianapolis Local Public Improvement Bond Bank which issued its related Notes of 2004, Series C in the amount of \$17,600. Interest is variable and will be calculated on an actual/360 day basis. Interest is adjusted at least quarterly each February 1, May 1, August 1, and November 1, based upon LIBOR plus 110 basis points. The Indianapolis Local Public Improvement Bond Bank can select either the 30-day LIBOR, 60-day LIBOR or 90-day LIBOR prior to each interest period. On December 31, 2006, the interest rate on the Series C was 5.48% and was based on the 30-day LIBOR.

Under the Harding Street 1991 Series A Tax Increment Bond, if the distributions from the TIF portion of the bond were not sufficient to make payments on the note, Eli Lilly and Company ("Lilly") agreed to pay the City for the difference. The City is liable to repay this amount back to Lilly from any excess money earned from the tax increment portion of the bond. Once the bond has matured, if there still remains an outstanding balance owed to Lilly, the City will repay the balance at this time with interest of the same rate as on the applicable bonds. As of December 31, 2006, the City owes \$8,911 to Eli Lilly as reimbursement for these payments; additionally, \$1,038 represents interest on this amount, and the entire amount of \$9,949 has been recorded as accounts payable in the statement of net assets and governmental funds balance sheet.

Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 13,375	\$ 20,256	\$ 33,631
2008	15,145	19,478	34,623
2009	16,430	18,602	35,032
2010	18,135	17,805	35,940
2011	20,090	16,740	36,830
2012 – 2016	122,459	63,392	185,851
2017 – 2021	151,462	22,211	173,673
2022 – 2026	148,845	7,067	155,912
2027 – 2031	89,370	3,089	92,459
	595,311	188,640	783,951
Less deferred interest on capital appreciation bonds	(156,448)	—	(156,448)
Total	\$ 438,863	\$ 188,640	\$ 627,504

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D. Derivatives

2001 Interest Rate Swap Agreement

Objective of the Interest Rate Swap Agreement. In March 2001, in anticipation of issuing its Series 2002 F Bonds and protecting in part the City from risk of any adverse change in interest rates on the Series 2002 F Bonds, the Indianapolis Local Public Improvement Bond Bank (“Bond Bank”) entered into a forward Swap agreement with Bear Stearns Capital Markets, Inc. and with Bank One to lock in a fixed interest rate for refunding the 1992 B Current Interest Bonds. By entering into the forward Swap agreement the Bond Bank anticipated refunding its 1992 B Current Interest Bonds. The 1992 B Bonds to be refunded totaled \$125,335 and mature in February 2020. In 2002, the Bond Bank refunded its 1992 B Bonds with the issuance of Series 2002 F Bonds, and the Swap went live. The fixed rate entered into by the Bond Bank pursuant to the Swap agreement was an off market rate providing the Bond Bank \$17.6 million in an up-front payment. The up-front cash payment is restricted for debt service on the Series 1992 Bonds and the 1999 Bonds and for payment of principal and interest on the \$35 million note commonly referred to as the “Key Bank Loan”. The remaining cash at December 31, 2006 is \$8,256 and is recorded by the City as cash and investments with fiscal agents which is being held by the Bond Bank.

Terms. Under the Swap Agreement, the Bond Bank pays interest to the 2001 Swap Providers on the notional amount set forth in each of the 2001 Swap Agreements at a fixed interest rate of 6.191%, in exchange for which the 2001 Swap Providers will pay interest to the Bond Bank on such notional amounts at a variable interest rate equal to seventy-four percent (74%) of the one-month LIBOR rate (as defined in the 2001 Swap Agreements). The Swap's notional amount of \$128,905 as of December 31, 2006 matches the variable-rate bonds. The obligations began to bear interest on February 1, 2003, and each party is required to make payments, if any, to the other party under the 2001 Swap Agreements on February 1 and August 1 of each year, commencing on August 1, 2003. In the event interest cost applicable to the Series 2002 F Bonds exceed the payments to be received under the Swap Agreements, the additional interest costs would be paid from Tax Increment Revenues. Starting in 2004, the notional value of the Swap and the related principal amount of the associated debt began to decline.

Fair Value. Because interest rates have declined since execution of the Swap Agreement, the Swap had a negative fair value of \$26,774 as of December 31, 2006. The Swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. As of December 31, 2006, the Bond Bank was not exposed to credit risk because the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap becomes positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value. The Swap counterparty, Bear Stearns, was rated AAA by Fitch Ratings, A by Standard & Poor's, and A1 by Moody's Investor Service as of December 31, 2006; Bank One was rated A+ by Fitch Ratings, A by Standard & Poor's, and Aa2 by Moody's Investor Service as of December 31, 2006.

Termination Risk. The Bond Bank or the Swap Provider may terminate the Swap if the other party fails to perform under the terms of the contract (as defined by the Swap Agreement). If at the time of termination the Swap has a negative fair value, the Bond Bank would be liable to the Swap provider for a payment equal to the Swap's fair value. Payments to the 2001 Swap provider by the Bond Bank are guaranteed by Swap insurance policies issued by MBIA Insurance Corporation.

2003 Interest Rate Swap Agreement

Objective of the Interest Rate Swap Agreement. In April 2003, the Bond Bank issued its Series 2003 A Refunding Notes in the amount of \$14,600 and Series B Refunding Notes in the amount of \$20,985 to purchase the City of Indianapolis Redevelopment District Taxable Junior Subordinate Tax Increment Revenue Refunding Bonds of 2003 Series A and B. The City used the proceeds to currently refund the City of Indianapolis Redevelopment District Limited Recourse Taxable Refunding Notes, Series 2000. The Series A and B Refunding Bonds are variable interest rate notes bearing interest at one hundred ten (110) basis points plus the LIBOR rate. Concurrent with the issuance of the Notes, the Bond Bank entered into an interest rate Swap Agreement for the Series A Refunding Note through the term of the Note.

During 2004, the Series 2003 A and B Bonds were repaid with the proceeds of the City's Redevelopment District Taxable Junior Subordinate Tax Increment Revenue Refunding Bonds, Series 2004 A and B, and the Economic Development Revenue Bonds, Series 2004 C. A portion of the Series 2004 C Bonds was substituted for the Series 2003 A Bonds in the Swap Agreement.

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Term. Under the Swap Agreement, the Bond Bank will pay interest to the Swap Provider at a fixed rate of 4.27% on the notional amount of \$14,600, in exchange for which the Swap Provider will pay interest on a variable rate that matches the rate required by the Bonds. Starting in fiscal year 2010, the notional amount of the Swap and the principal amount of the associated debt decline per the debt schedule until the debt is completely retired. The bonds and the related Swap Agreement mature on February 1, 2013.

Fair Value. As of December 31, 2006, the Swap had a negative fair value of \$413. The negative fair value of the Swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the Bond Bank's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future settlement of the Swap.

Credit Risk. As of December 31, 2006, the Bond Bank was exposed to credit risk because the Swap had a negative fair value. The Bond Bank is exposed to credit risk in the amount of the derivative's fair value.

The Swap counterparty was rated A by Fitch Ratings, A- by Standard & Poor's and A2 by Moody's Investors Service as of December 31, 2006.

Termination Risk. The Bond Bank or the Swap provider may terminate the Swap if the other party fails to perform under the terms of the contract (as defined by the Swap agreement). If at the time of termination the Swap has a negative fair value, the Bond Bank would be liable to the Swap provider for a payment equal to the Swap's fair value.

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(In thousands)

Swap Payments and Associated Debt

Using rates as of December 31, 2006, debt service requirements of the variable-rate debt and net Swap payments of the Bond Bank, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net Swap payments will vary.

2001 Swap

Year ending December 31	Variable-rate bonds		Interest rate swaps, net	Total
	Principal	Interest		
2007	\$ 220	\$ 4,647	\$ 2,895	7,762
2008	230	4,639	2,895	7,764
2009	245	4,630	2,885	7,760
2010	260	4,622	2,879	7,761
2011	280	4,613	2,873	7,766
2012 – 2016	38,305	22,261	13,866	74,432
2017 – 2021	89,365	7,833	4,879	102,077
Total	\$ 128,905	\$ 53,245	\$ 33,172	\$ 215,322

2003 Swap

Year ending December 31	Variable-rate bonds		Interest rate swaps, net	Total
	Principal	Interest		
2007	\$ —	\$ 938	\$ (154)	784
2008	—	938	(154)	784
2009	—	938	(154)	784
2010	2,950	748	(123)	3,575
2011	3,600	517	(85)	4,032
2012 – 2016	8,050	267	(66)	8,251
Total	\$ 14,600	\$ 4,346	\$ (736)	\$ 18,210

2005 Interest Rate Swap Agreement-Waterworks (2005G)

Objective. of the Interest Rate Swap Agreement. In March 2005, the Bond Bank issued its Series 2005 G Bonds in the amount of \$388,100 to purchase the City of Indianapolis Waterworks Revenue Refunding Bonds Series 2005 G. Concurrent with the issuance of the bonds, the Bond Bank entered into an interest rate Swap Agreement for the Series 2005 G Bonds through the term of the bonds.

Term. Under the Swap Agreement, the Bond Bank pays interest to the Swap Provider at a fixed rate of 3.51% on the notional amount of \$388,100, in exchange for which the Swap Provider pays interest on a variable rate that matches the rate required by the notes. Starting in fiscal year 2008, the notional amount of the Swap and the principal amount of the associated debt decline per the debt schedule until the debt is completely retired. The bonds and the related Swap Agreement mature on January 1, 2025.

Fair Value. As of , the Swap had a negative fair value of \$4,248. The negative fair value of the Swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the Bond Bank's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was developed by

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a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future settlement of the Swap.

Credit Risk. As of the December 31, 2006, the Bond Bank was not exposed to credit risk because the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap becomes positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Swap counterparty, Bear Stearns, was rated AAA by Standard & Poor's and Aaa by Moody's Investor Service as of December 31, 2006, and Loop Financial Products, LLC was rated AA- by Standard & Poor's and Aa3 by Moody's Investor Service as of December 31, 2006.

Termination Risk. The Bond Bank or the Swap Provider may terminate the Swap if the other party fails to perform under the terms of the contract (as defined by the Swap Agreement). If at the time of termination the Swap has a negative fair value, the Bond Bank would be liable to the Swap Provider for a payment equal to the Swap's fair value.

2005 Interest Rate Swap Agreement-Waterworks (2005H)

Objective. of the Interest Rate Swap Agreement. In December 2005, the Bond Bank issued its Series 2005 H Bonds in the amount of \$47,810 to purchase the City of Indianapolis Waterworks Revenue Refunding Bonds Series 2005 H. Concurrent with the issuance of the Bonds, the Bond Bank entered into an interest rate Swap Agreement for the Series 2005 H Bonds through the term of the Bonds.

Term. Under the Swap Agreement, the Bond Bank pays interest to the Swap Provider at a fixed rate of 3.527% on the notional amount of \$47,810 in exchange for which the Swap Provider pays interest on a variable rate that matches the rate required by the notes. Starting in fiscal year 2036, the notional amount of the Swap and the principal amount of the associated debt decline per the debt schedule until the debt is completely retired. The bonds and the related Swap Agreement mature on January 1, 2037.

Fair Value. As of the Swap had a negative fair value of \$659. The negative fair value of the Swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the Bond Bank's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future settlement of the Swap.

Credit Risk. As of the December 31, 2006, the Bond Bank was not exposed to credit risk because the Swap had a negative fair value. However should interest rates change and the fair value of the Swap become positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Swap counterparty was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service as of December 31, 2006.

Termination Risk. The Bond Bank or the Swap Provider may terminate the Swap if the other party fails to perform under the terms of the contract (as defined by the Swap Agreement). If at the time of termination the Swap has a negative fair value, the Bond Bank would be liable to the Swap Provider for a payment equal to the Swap's fair value.

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Swap Payments and Associated Debt

Using rates as of December 31, 2006, debt service requirements of the variable-rate debt and net Swap payments of the Bond Bank, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net Swap payments will vary.

2005 G Swap

<u>Year ending December 31</u>	<u>Variable-rate bonds</u>		<u>Interest rate swaps, net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2007	\$ —	\$ 14,880	\$ 1,006	\$ 15,886
2008	795	14,865	1,005	16,665
2009	1,630	14,803	1,001	17,434
2010	1,690	14,738	997	17,425
2011	1,750	14,672	992	17,414
2012 – 2016	8,970	72,341	4,893	86,204
2017 – 2021	10,310	70,495	4,768	85,573
2022 – 2026	54,635	66,711	4,512	125,858
2027 – 2031	153,100	45,024	3,045	201,169
2032 – 2036	155,220	10,385	619	166,224
Total	\$ 388,100	\$ 338,914	\$ 22,838	\$ 749,852

2005 H Swap

<u>Year ending December 31</u>	<u>Variable-rate bonds</u>		<u>Interest rate swaps, net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2007	\$ —	\$ 1,831	\$ 124	\$ 1,955
2008	—	1,831	124	1,955
2009	—	1,831	124	1,955
2010	—	1,831	124	1,955
2011	—	1,831	124	1,955
2012 – 2016	—	9,155	619	9,774
2017 – 2021	—	9,155	619	9,774
2022 – 2026	—	9,155	619	9,774
2027 – 2031	—	9,155	619	9,774
2032 – 2036	47,810	8,697	496	57,003
Total	\$ 47,810	\$ 54,472	\$ 3,592	\$ 105,874

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E. Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are issued through the Indianapolis Local Public Improvement Bond Bank. Revenue bonds outstanding at year-end are as follows:

	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance December 31, 2006</u>
Governmental activities:				
Transportation Revenue—2001 Series A	05/11/01	07/01/10	4.500 – 5.500 %	\$ 17,060
Indy Roads Revenue Bonds—2003 Series	11/25/03	01/01/19	2.000 – 5.000	18,300
Park District Revenue—1998 Series B	04/09/98	01/15/13	6.050 – 6.800	1,485
Redevelopment District—2002 Series A	11/21/02	02/01/12	3.000 – 3.850	2,570
Facilities Revenue Bonds of 2006	02/16/06	01/15/21	4.000 – 5.000	16,550
Stormwater District Revenue Bonds, Series 2006 A	03/21/06	01/01/26	4.000 – 5.000	43,430
Sanitary District Bonds—1998 Series A	12/30/98	01/01/19	3.500	16,495
Sanitary District Bonds—2000 Series A	06/30/00	01/01/21	3.500	22,428
Sanitary District Bonds—2000 Series B	12/14/00	01/01/21	4.500 – 5.600	8,350
Sanitary District Bonds—2001 Series A	08/23/01	01/01/23	4.000	36,494
Sanitary District Bonds—2002 Series B	08/30/02	01/01/24	4.000	37,395
Sanitary District Bonds—2004 Series G	08/01/04	01/01/24	3.580	7,986
Sanitary District Bonds—2004 Series H	08/24/04	01/01/26	4.130	22,547
Sanitary District Bonds—2004 Series J	12/29/04	01/01/26	3.690	47,464
Sanitary District Bonds—2005 Series I	12/29/05	01/01/27	2.900	28,908
Sanitary District Bonds—2006 Series A	06/30/06	01/01/28	3.080	7,634
Sanitary District Bonds—2006 Series B	12/15/06	01/01/28	2.900	34,750
Enhanced Emergency System—2001 Series D	08/30/01	07/01/11	2.700 – 5.000	7,430
Economic Development Bonds—2004 Series B	06/23/04	04/01/30	variable rate	9,800
Economic Development Bonds—2004 Series C	06/23/04	04/01/39	5.150	19,550
				<u>406,626</u>
Less matured bonds payable recorded in debt service funds				<u>(12,819)</u>
Total revenue bonds recorded in governmental activities				<u>\$ 393,807</u>

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	<u>Issue dates</u>	<u>Final maturity dates</u>	<u>Effective interest rates</u>	<u>Balance December 31, 2006</u>
Business-type activities:				
Waterworks District, two issues	04/30/02	01/01/07 – 01/01/35	4.150 – 5.450 %	\$ 116,930
Waterworks District, Series 2004	03/31/04	01/01/36	variable rate	50,000
Waterworks District, Series 2005 F	11/17/05	01/01/35	3.500 - 5.000	70,255
Waterworks District, Series 2005 G	11/17/05	01/01/29	variable rate	388,100
Waterworks District, Series 2005 H	12/07/05	01/01/37	variable rate	47,810
Waterworks District, Series 2006 A	03/07/06	01/01/22	5.500	77,830
Total Waterworks				<u>750,925</u>
Total revenue bonds recorded in business-type activities			\$	<u><u>750,925</u></u>

Governmental activities

All principal and interest payments are due on January 1 and July 1, January 15 and July 15, and April 1 and October 1 of the respective year. Accordingly, the City appropriates all payments due on January 1 and January 15 in the year before payment is due and provides the amount in the Debt Service Funds. Payments due in April and October will be appropriated in the year due. All revenue bond principal and interest payments due January 1, 2007 and January 15, 2007 have been recorded as matured bonds payable and matured interest payable at December 31, 2006.

On February 15, 2006, the City issued its Indiana Facilities Revenue Bonds, Series 2006 B in the amount of \$16,550 to the Indianapolis Local Public Improvement Bond Bank which issued its related Series 2006 B Bonds in the amount of \$16,550. The proceeds to the City are to be used to acquire, make additions to, renovate, repair, make improvements to, construct or modify certain structures used by the City and its various governmental agencies and departments, including without limitation: Marion County Jail, City-County Building, Juvenile Justice Center, Animal Control Building, Public Safety Training Academy, Riverside Garage and Belmont Garage and to pay issuance costs.

On March 1, 2006, the City issued Stormwater District Revenue Bonds, Series 2006 A in the amount of \$43,430 to the Indianapolis Local Public Improvement Bond Bank which issued its Series 2006 D Bonds in the amount of \$43,430. The proceeds of the 2006 Stormwater Revenue Bonds were used to refund outstanding short-term obligations of the City and to provide funds to construct certain addition and improvements to the stormwater collection system. The bonds bear fixed interest rates and mature fully on January 1, 2026.

On December 30, 1998, the City of Indianapolis issued Sanitary District Bonds of 1998, Series A, in the amount of \$23,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 1998 E Bonds in the amount of \$23,000. The net proceeds are being used for construction or additions and improvements to the Sewage Works system. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Revolving Loan Program to finance low-cost water quality projects. The City made draws of \$755 during 2006, and the outstanding balance of draws at December 31, 2006 was \$16,495.

On June 30, 2000, the City of Indianapolis issued Sanitary District Revenue Bonds of 2000, Series A, in the amount of \$32,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2000 B Bonds in the amount of \$32,000. The net proceeds are being used to fund seven Barrett Law Sewer Projects to eliminate many failing septic systems and thus reduce waterways contaminated by septic system runoff. The project also includes two lift station projects, a manhole rehabilitation project, and four wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$2,990 during 2006, and the outstanding balance of draws at December 31, 2006 was \$22,428.

On August 23, 2001, the City of Indianapolis issued Sanitary District Revenue Bonds of 2001, Series A, in the amount of \$42,420 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2001 Series E Bonds in the amount of \$42,420. The proceeds are being used to fund several environmental studies and engineering projects and advanced wastewater treatment plant projects. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$1,036 during 2006, and the outstanding balance of draws at December 31, 2006 was \$36,494.

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On August 30, 2002, the City of Indianapolis issued Sanitary District Revenue Bonds of 2002, Series B, in the amount of \$41,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2002 D Bonds in the amount of \$41,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$240 during 2006, and the outstanding balance of draws at December 31, 2006 was \$37,395.

On June 30, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series G, in the amount of \$8,600 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 G in the amount of \$8,600. The net proceeds were used to pay down the Sanitary District Bond Anticipation Note 2003 A in the amount of \$8,600. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City made no draws during 2006 and the outstanding balance of draws at December 31, 2006 was \$7,986.

On August 24, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series H, in the amount of \$25,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2006 H Bonds in the amount of \$25,000. The net proceeds were used to pay down Sanitary Commercial Paper 2002 in the amount of \$7,367 and to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$2,162 during 2006, and the outstanding balance of draws at December 31, 2006 was \$22,547.

On December 29, 2004, the City of Indianapolis issued Sanitary District Revenue Bonds of 2004, Series I, in the amount of \$70,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 I Bonds in the amount of \$70,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$33,536 during 2006, and the outstanding balance of draws at December 31, 2006 was \$47,464.

On December 29, 2005, the City of Indianapolis issued Sanitary District Revenue Bonds of 2005, Series I, in the amount of \$90,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2005 I Bonds in the amount of \$90,000. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$28,595 during 2006, and the outstanding balance of draws at December 31, 2006 was \$28,908.

On June 30, 2006, the City of Indianapolis issued Sanitary District Revenue Bonds of 2006, Series A, in the amount of \$35,250 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2006 E Bonds in the amount of \$35,250. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down \$7,634 during 2006, and the outstanding balance of draws at December 31, 2006 was \$7,634.

On December 15, 2006, the City of Indianapolis issued Sanitary District Revenue Bonds of 2006, Series B, in the amount of \$34,750 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2006 F Bonds in the amount of \$34,750. The net proceeds are being used to construct sewer works improvements at various locations, along with the purchase of necessary appurtenance and equipment. These funds are borrowed and paid back through the State of Indiana as part of the State of Indiana Wastewater Loan Program to finance low-cost water quality projects. The City drew down the entire balance during 2006 and the outstanding balance of draws at December 31, 2006 was \$34,750.

Business-type activities

On March 31, 2004, the City issued Waterworks District Net Revenue Bonds, Series 2004 A, in the amount of \$50,000 to the Indianapolis Local Public Improvement Bond Bank, which issued its related Series 2004 A Bonds in the amount of \$50,000. The Waterworks District, Series 2004 A Bonds bear interest at an auction rate ("Auction Rate") which is described in the respective bond document. During the related Auction Rate Period, the interest rate on the Series 2004 A Bonds is determined by submitted bids and may not exceed the lesser of (i) 12% per annum and (ii) the maximum rate permitted by law. The Auction Rate is established by the Auction Agent (currently Wilmington Trust Company) pursuant to Auction Procedures as outlined in the bond document. Currently, the Waterworks District, Series 2004 A Bonds bear interest in 35-day Auction Rate Periods but they may be converted to a daily, 7-day, 28-day, 35-day, 3-month, or 6-month Auction Rate Period or a Flexible Auction Rate Period, which is defined as any period not less than 7 days no more than 1,092 days. At December 31, 2006, the Auction Rate is 3.390%.

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Previously, the City issued Waterworks District Net Revenue Bonds, Series 2005 G and H, in the amount of \$388,100 and \$47,810, respectively. The Series 2005 G and 2005 H Bonds bear interest at a Weekly Interest Rate to be determined by the Remarketing Agent in accordance with the remarketing agreement terms for the respective bonds. At no time will the bonds bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest permitted by applicable law. At December 31, 2006, the Weekly Interest Rate amount was 3.837% and 3.830%, respectively, for the 2005G and 2005 H Bonds.

On March 7, 2006 the City issued Waterworks District Net Revenue Refunding Bonds, Series 2006 A, in the amount of \$77,830, to the Indianapolis Local Public Improvement Bond Bank which issued its related Series A Bonds in the amount of \$77,830. The refunding bonds were used to advance refund \$82,365 of outstanding principal of the Waterworks District Series 2002 A Bonds.

The above refunding was undertaken to reduce future debt service payments; this resulted in a reduction of \$6,306 in future debt service payments and an economic gain (present value of the reduction in debt service payments) of \$3,457. The reacquisition price was more than the net carrying amount of the refunded debt by \$7,882. This amount is being netted against the refunding debt and amortized over the life of the refunding debt, which is shorter than the life of the refunded debt. Proceeds were used in part to pay interest of \$728 on the refunded debt. There was a premium on the 2006 A Series of \$10,817 and issuance costs of \$947.

A portion of the Series 2002 A bonds are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of \$460,000 at December 31, 2006.

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending December 31</u>	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Waterworks</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 16,873	\$ 15,458	\$ 2,655	\$ 32,113	\$ 19,528	\$ 47,571
2008	21,499	15,234	4,625	31,959	26,124	47,193
2009	26,291	14,467	6,285	31,712	32,576	46,179
2010	25,959	13,472	7,185	31,408	33,144	44,880
2011	22,691	12,486	8,100	31,089	30,791	43,575
2012 – 2016	109,079	50,128	55,185	148,547	164,264	198,675
2017 – 2021	101,024	29,692	85,030	131,004	186,054	160,696
2022 – 2026	59,415	11,217	136,985	103,779	196,400	114,996
2027 – 2031	10,530	4,370	191,845	68,980	202,375	73,350
2032 – 2036	7,155	2,563	229,125	28,057	236,280	30,620
2036 – 2041	6,110	535	23,905	458	30,015	993
	<u>\$ 406,626</u>	<u>\$ 169,622</u>	<u>\$ 750,925</u>	<u>\$ 639,106</u>	<u>\$ 1,157,551</u>	<u>\$ 808,728</u>

F. Notes Payable

- The City has outstanding notes payable related to HUD Section 108 loan proceeds. The notes payable, with an original amount of \$6,000, were issued in 2000 and 2001. Under the terms of the agreement, the City makes principal and interest payments on each February 1 and August 1, with the last payment being made on August 1, 2020. At December 31, 2006, \$4,200 was still outstanding.
- On May 1, 2001, the City issued notes in the amount of \$7,118 for the purchase of certain equipment, vehicles and related capital items, including all expenses in connection with or on account of the issuance of notes. Interest is payable on May 15 and November 15 and is calculated on the basis of a 363-day or 366-day year as the case may be. The interest rate may vary with each purchase of a Tax Revenue Note but not to exceed 7%. This issue matured on June 1, 2006.

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3. On April 5, 2002, the City signed a Master Equipment Lease/Purchase Agreement with Banc of America Leasing & Capital, LLC for an amount not to exceed \$6,580. Two Acquisition Accounts were created: "City of Indianapolis Acquisition Account – 4 Years" in the amount of \$4,074 and the second "City of Indianapolis Acquisition Account – 5 Years" in the amount of \$2,506. On the signing date, the amount of \$1,620 was due against the principal. The second issue matured June 1, 2006.
4. On July 18, 2002, the City signed an Acquisition Fund Agreement with Banc of America Leasing & Capital, LLC for an amount not to exceed \$9,403. Two Acquisition Accounts were created: the first to be known as "City of Indianapolis Acquisition Account – Helicopter" in the amount of \$2,194 and the second as "City of Indianapolis Acquisition Account – Vehicles and Equipment" in the amount of \$7,209. The term for this agreement is 48 months, with the first principal payment due January 1, 2003. At December 31, 2006, \$1,109 was still outstanding.
5. On January 1, 2003, the City signed an Acquisition Funds Agreement with Banc of American Leasing & Capital, LLC for an amount not to exceed \$9,531. One Acquisition Account was created: a "City of Indianapolis Acquisition Account – Vehicles and Equipment" in the amount of \$9,531. The term for this agreement is 48 months, with the first principal payment due July 1, 2003. At December 31, 2006, \$1,238 was still outstanding.
6. The City signed an Acquisition Funds Agreement with Banc of American Leasing & Capital, LLC for an amount not to exceed \$7,313. One Acquisition Account was created: a "City of Indianapolis Acquisition Account – Vehicles and Equipment" in the amount of \$7,313. The term for this agreement is 48 months, with the first principal payment due July 1, 2005. At December 31, 2006, \$1,999 is still outstanding.
7. On October 1, 2002, the Tax-Exempt Commercial Paper Notes, Series B, were issued by the Indianapolis Local Public Improvement Bond Bank in an amount limited to \$32,219. The proceeds are being used to undertake certain projects on the Sanitary District's (\$14,800) and Stormwater District's (\$15,200) long-term capital plans. This commercial paper rolls over approximately every ninety (90) days and the amounts outstanding at December 31, 2006 will mature on March 14, 2007. The City intends to roll over these proceeds until no later than October 1, 2007. Eventual repayment will be made from proceeds of bonds if and when issued by the Sanitary District or from net revenues of the Sanitary District, if any, available for such payment. During 2006, the City issued stormwater bonds and paid off the Stormwater District's balance of \$15,841. The outstanding amount as of December 31, 2006 was \$9,166 for the Sanitary District notes. The City has the option to issue an additional \$5,000 of commercial paper.
8. On June 27, 2002, a loan for \$175 was secured from Indiana Development Finance Authority through the Department of Metropolitan Development. The purpose was to assist in financing the cost of assessment and remediation activities at a Brownfield site (as defined in IC 13-11-2-19.3) known as Riverside Plaza, located at 1426 W. 29th Street in Indianapolis, Indiana. Up to twenty percent (20%) of the \$175 loan may be forgiven if the project attains its Economic Development Goals timely. In 2004, \$35 was forgiven. At December 31, 2006, \$93 was still outstanding.
9. On August 1, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of \$3,750 and Series 2005 B in the amount of \$2,750 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 A in the amount of \$3,750 and Series 2005 B in the amount of \$2,750. The proceeds from the sale of the Series 2005 A Notes will be used to provide funds to develop Fall Creek Place Phase 4, which is bounded by the east side of College Avenue, 22nd Street, Broadway Avenue and Fall Creek. There are expected to be 91 new homes, 34 new townhomes and approximately 10 rehabs (which will be carried out by King Park and Historic Landmarks), for a total of 125 new homes. Principal and interest will be paid from tax increment revenues collected in the Fall Creek/Citizens Consolidated Housing Tax Increment ("HOTIF") area.

Series 2005 A and 2005 B interest is payable on each January 1, April 1, and July 1, and October 1, commencing on October 1, 2005. Principal is payable at maturity on August 10, 2010. The note bears interest with respect to each Interest Period, from the Interest Payment Date to which interest has been paid, at a per annum rate of LIBOR Rate plus ninety-six (96) basis points based on a 360 day year.

At December 31, 2006, the City had drawn down \$1,161 and \$2,193 on the Series 2005 A and 2005 B, respectively.
10. On September 9, 2005, the Indianapolis Local Public Improvement Bond Bank issued Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of \$2,500 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2005 C in the amount of \$2,500. The proceeds from the sale of the Series 2005 C Notes will be used to provide funds to develop finance certain infrastructure improvement in, serving or benefiting the Barrington Redevelopment Area and pay issuance costs. Principal and interest will be paid from tax increment revenues collected in the Barrington HOTIF allocation area. The notes bear interest at a per annum rate of 3.85%. Interest is calculated on the basis of three hundred and sixty (360) day year and due February 1 and August 1 commencing on February 1, 2006. The outstanding balance at December 31, 2006 is \$2,500.
11. The Indianapolis Local Public Improvement Bond Bank issued \$5,000 Limited Obligation Notes, Series 2006 to purchase the City of Indianapolis Redevelopment District Limited Recourse Notes, Series 2006A whose issuance is being undertaken to finance certain infrastructure improvements in serving, or benefiting the Near Eastside Redevelopment Area and to provide funds for issuance costs. The Bond Bank Notes are to be repaid from the proceeds of a long-term bond to be issued before December 22, 2011. The outstanding balance at December 31, 2006 is \$5000.

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12. On November 10, 2006 the City signed an agreement with The Indianapolis Local Public Improvement Bond Bank for an amount not to exceed \$7,800. The proceeds from the notes are to be used to purchase vehicles and equipment for the City. The term for this agreement is 60 months, with the first principal payment due November 10, 2007. At December 31, 2006, the balance owed was \$2,357.
13. On August 18, 2006, the City signed an agreement with The Indianapolis Local Public Improvement Bond Bank to issue City of Indianapolis Public Communications Systems and Computer Facilities District Bond Notes in an amount not to exceed \$5,000. The proceeds of the notes are to be used to pay costs associated with the emergency communications system upgrade and other projects and to pay issuance costs on the notes. The notes bear interest at a per annum rate of 4.65% and are due on August 18, 2007. At December 31, 2006, the outstanding balance on the notes is \$5,000.
14. The City entered into an Interlocal Agreement with the Indianapolis Airport Authority ("IAA") related to the construction of the Parallel Bridgeport Interceptor sewer. The agreement provides that upon acceptance the City assumes ownership and that the City reimburse IAA for costs that exceed \$1,640 over a four year period ending December 31, 2008. The City paid \$733 in 2006 and the estimated remaining City obligation at December 31, 2006 was \$2,612.
15. On August 7, 2006, the Indianapolis Local Public Improvement Bond Bank issued Limited Recourse Notes, Series 2006 in the amount of \$9,000 for the purpose of providing funds to purchase the City of Indianapolis, County Option Income Tax Revenue Anticipation Notes. The proceeds are to be used to finance certain operating and capital expenditures related to public safety and criminal justice identified in the City's annual budget. The notes are to be repaid from County Option Income Tax Revenues. The notes mature in full on September 6, 2007 and bear interest at a per annum rate of 6.0%. At December 31, 2006, the outstanding balance on the notes was \$9,000.
16. In connection with the purchase of the Waterworks in 2002, the City assumed several notes payable. These notes are generally for the purchase of real estate and water rights and mature over terms ranging from 2 to 7 years. At December 31, 2006, a total of \$651 was outstanding for all notes.

Annual amounts due on notes payable to maturity are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Waterworks	
	Principal	Interest	Principal	Interest
2007	\$ 29,905	\$ 1,964	\$ 217	\$ —
2008	4,377	902	217	—
2009	2,514	690	217	—
2010	2,821	535	—	—
2011	5,311	511	—	—
2012 – 2016	1,500	673	—	—
2017 – 2020	1,200	197	—	—
	<u>\$ 47,628</u>	<u>\$ 5,472</u>	<u>\$ 651</u>	<u>\$ —</u>

G. Capital Leases Payable:

Governmental Activities

The City and Marion County jointly lease their office building and parking lot from the Indianapolis-Marion County Building Authority ("Building Authority"), a related party, over a 50-year term expiring in December 2012 (see Note 13). The Building Authority is a separate municipal corporation whose purpose is to finance, acquire, construct, improve, renovate, equip, operate, maintain, and manage land, governmental buildings, and communication systems for governmental entities within Marion County. The Building Authority has no stockholders nor equity holders, and all bond and

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note loan proceeds, rentals and other revenues must be disbursed for specific purposes in accordance with provisions of Indiana Code 36.9-13 et. seq. and several trust indentures and loan agreements executed for the security of the holders of the bonds and notes. The facilities are financed through the issuance of general obligation debt. The Building Authority enters into long-term lease agreements with the City and other government entities, which provide for sufficient rent to service the debt and offset operating costs. All of the leases contain lease renewals and purchase options. If these options are not exercised, the leases provide for the transfer, upon expiration of the lease, of ownership of the properties to the lessees free and clear of all obligations of the lease. The governing Indiana statute with respect to each of the Building Authority's leases provides that the government lessee(s) shall be obligated to levy annually a tax sufficient to produce each year the necessary funds to pay the lease rentals to the Building Authority. These leases provide for sufficient rent to service the debt and provide for operating costs. Marion County and the City will jointly obtain title to the building and parking lot in the future. The lease requires the City to make annual payments equal to the Building Authority's debt service requirements (\$0 in 2006) plus the City's share of building operating and maintenance costs (\$1,416 in 2006).

In addition, the City leases a central maintenance garage from the Building Authority over a 27-year term (with the option to renew for a like or lesser term) expiring in December 2011. The lease requires that the City make annual payments of \$500 and pay additional rent in an amount sufficient to cover costs of operation and maintenance of the garage. The City will obtain title to the garage at the end of the lease (or renewal) term. Accordingly, the lease is classified as a capital lease with a capitalized cost, net of depreciation, of \$5,704 at December 31, 2006.

The City also leases certain equipment under capital leases expiring through 2008 with a capitalized cost, net of depreciation, at December 31, 2006 of \$187.

Housing Agency

In 2002, the Housing Agency entered into an agreement with Energy Systems Group "ESG" for capital improvements to Housing Agency-owned properties to enhance energy efficiency ("Energy Savings Project") and to modernize certain of the Housing Agency's properties ("Modernization Project"). The agreement calls for both projects to be financed through two separate lease purchase agreements with payments made semi-annually over a twelve (12) year period. As of December 31, 2006, the lease purchase agreement on the Energy Savings Project had a total liability balance of \$1,271. As of December 31, 2006, the Housing Agency had executed the lease purchase agreement for the Modernization Project with a total liability balance of \$443. At December 31, 2006, the capitalized cost, net of related depreciation, of these two projects was \$3,851.

In 2004, the Housing Agency entered into a capital lease to finance the purchase of phone system equipment. At December 31, 2006, the capitalized cost, net of depreciation, is \$169.

The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for both governmental and business-type activities as of December 31, 2006.

	Governmental activities	Business-type activities Housing Agency
2007	\$ 1,016	\$ 738
2008	158	271
2009	—	220
2010	—	195
2011	—	195
2010 – 2016	—	584
	<u>1,174</u>	<u>2,203</u>
Less amount representing interest	62	315
Present value of net minimum lease payments	<u>\$ 1,112</u>	<u>\$ 1,888</u>

H. Unfunded Pension Obligations: As discussed in Note 16, the Police and Firefighters (City) Pension Plans are funded on a "pay-as-you-go" basis.

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- I. Compensated Absences Payable:** A long-term liability for benefit and sick leave earned but not paid of \$22,351 at December 31, 2006 is recorded in the government-wide statements. Compensated absences are generally liquidated by the General Fund.
- J. Settlements Payable:** A settlement payable results from a 1991 consent decree which indicated that the U.S. Environmental Protection Agency ("EPA") placed the Northside Sanitary Landfill on the National Priorities List. This landfill is located in Union Township, Boone County, approximately 5 miles north of Zionsville, Indiana. In the late 1980s, the EPA conducted studies at the landfill due to the release or potential release of harmful hazardous substances and determined that remedial actions at the facility were necessary. This landfill is not owned by the City; however, the City was named as a Settling Defendant (among many) in the Consent Decree. While not admitting responsibility, the Settling Defendants have agreed to settle the claims in the lawsuit and participate in the cleanup of the facility. This amount of \$816 is payable over the next 9 years.
- K. Conduit Debt:** From time to time, the City has issued Economic Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition, rehabilitation, and construction of industrial, commercial, and housing facilities and projects deemed to be in the public interest. The bonds are secured by the property financed. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, the City-County Council had approved 80 series of Economic Development Revenue Bonds for a total not to exceed \$888,315. In 2006, of the not-to-exceed amount of \$136,000 that was approved by the City-County Council, bonds in the amount of \$5,500 were issued. The aggregate principal amount outstanding on bonds issued prior to 2004 could not be determined. The aggregate principal amount outstanding of bonds issued since 2004 was \$114,410.

- L. HUD Serviced Debt** The Housing Agency has issued certain obligations related to development and modernization of low-rent housing units as long-term debt in the financial statements. These obligations are payable by HUD and secured by annual contributions. The Housing Agency bonds represent the Agency's portion of consolidated issues, which include other housing authorities in the State of Indiana. HUD deposits an amount equal to the total maturities with the paying agent each year, and allocates bond principal payments to each housing authority based on its percentage of the total issue.

The Housing Agency, with consultation with HUD, concluded that the obligations do not constitute a debt of the Housing Agency and therefore are not recorded in the financial statements. The total bonds outstanding at December 31, 2006 were \$3,870 and are considered a contingent obligation in that the Housing Agency could be liable should HUD fail or refuse to service the debt.

11. Short-term Debt Analysis

Tax Anticipation Warrants were issued on the taxes levied in 2005 and collected in 2006. The City-County Council authorizes the temporary borrowing pending the receipt of taxes levied and repayment of loans on June 30 and December 31 of the year borrowed. This procedure assures the City of sufficient funds for operating expenses between the property tax distribution dates.

<u>Departments</u>	<u>Balance January 1, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2006</u>
Police General principal	\$ —	\$ 33,788	\$ 33,788	\$ —
Fire General principal	—	24,617	24,617	—
Park General principal	—	9,215	9,215	—
Total	<u>\$ —</u>	<u>\$ 67,620</u>	<u>\$ 67,620</u>	<u>\$ —</u>

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12. Fund Balance

Included in the City's General Fund are financial activities of certain districts within the City. These districts generally involve the collection of fees and taxes for the purposes of the district, and their use is limited to those purposes. The City tracks these activities by utilizing accounts within the General Fund. Below represents a breakdown of the components of the General Fund balance by each account:

	Reserved for encumbrances	Reserved for pension obligations	Reserved for long-term receivables	Unreserved	Total
Consolidated County	\$ 4,458	\$ —	\$ 496	\$ 17,049	\$ 22,003
Redevelopment	140	—	—	9,987	10,127
Solid Waste Collection	1,118	—	—	3,966	5,084
Solid Waste Disposal	153	—	—	19,389	19,542
Sanitation	6,032	—	1,100	42,697	49,829
Transportation	6,218	—	—	11,181	17,399
Police	136	—	—	1,615	1,751
Fire	185	—	—	2,814	2,999
Pension Stabilization	—	46,852	—	—	46,852
Park	1,242	—	—	1,699	2,941
Metropolitan Police	—	—	—	12,383	12,383
Stormwater	5,488	—	—	13,863	19,351
Total	<u>\$ 25,170</u>	<u>\$ 46,852</u>	<u>\$ 1,596</u>	<u>136,643</u>	<u>\$ 210,261</u>

13. Joint Venture

The Indianapolis-Marion County Building Authority (Building Authority) is a joint venture of Marion County and the City of Indianapolis. See Note 10.G for further discussion on the Building Authority. The City's share of the joint venture consists primarily of 42% of the City-County Building (determined by occupancy) and 100% of the Municipal Garage, Belmont Garage, Public Safety Communications System, Public Safety Training Academy, and Public Safety Properties. The various portions of Building Authority facilities are leased to other units of government and private parties. Marion County's share of the joint venture consists primarily of 58% of the City-County Building (determined by occupancy) and 100% of the Marion County Jail and Jail II, Juvenile Detention Center, and Sheriff's Roll Call Site.

The Building Authority has various long-term debt obligations, which are secured by the rent payments received from the City and County. During 2006, the City paid approximately \$7,500 in rent. The amount of the Building Authority's principal's current portion and long-term debt portion at June 30, 2006 was \$5,466 and \$29,496, respectively. The amount of accumulated net revenues retained in operation accounts at June 30, 2006 was \$63,716, and the amount of accumulated net revenues retained and used for building, site, and project costs and related debt service was \$45,944.

A copy of the separately issued financial statements of the Building Authority for the year ended June 30, 2006, which is prepared on a basis other than accounting principles generally accepted in the United States of America, is available upon request.

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14. Contingent Liabilities and Commitments

- A. Various lawsuits are pending against the City. In the opinion of the City's Corporation Counsel, the aggregate potential loss on all outstanding litigation was estimated to be \$2,586. This amount has been accrued for in the Internal Service Fund. This opinion concurs with the Indiana law limiting the liability of municipalities to \$500 per person and \$5,000 per occurrence. Additionally, the City is a defendant in various lawsuits for which management has determined that there is a reasonable possibility of an adverse outcome. No accrual has been made in the financial statements for these items, which approximate \$460, as the loss is not both probable and estimable.
- B. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grants.
- C. The City has a service agreement with the owner of a resource recovery facility and has guaranteed a certain amount of "acceptable waste" to be delivered each year to the facility. Revenues for the facility are generated by (1) charging tipping fees for accepting, processing, and/or disposing of the guaranteed tonnage, (2) recovering energy and other resources there from and (3) payment by the City of the service fee under the Service Agreement. The service fee is equal to (1) the debt service plus (2) the facility's operation and maintenance charge plus (3) certain pass-through costs, less (4) a recovered resources credit (initially from sale of steam to the local electric company). Additional "acceptable waste" above the guaranteed tonnage is processed for a fee as defined in the service agreement. The City imposes a user fee to offset the cost of solid waste disposal. Included in the General Fund is \$13,684 of accounts receivable, which represents excess monies from the surplus account that is utilized to account for differences in the guaranteed fee amounts.
- D. The City has entered into operating agreements on a number of City-owned golf courses, which provide for termination payments to be made to the operator if the City cancels the agreements prematurely. These payments are primarily to cover the costs for improvements made to the courses by the operators. The termination payment declines over the term of the agreements. There are termination agreements on five courses: Coffin, Eagle Creek, Riverside Academy, Smock, and Winding River. While the City has no intention to do so, if the agreements were terminated at December 31, 2006, the total termination payments due would be \$4,284.
- E. The City has an agreement with a contractor to provide the operation and maintenance of the Belmont and Southport advanced wastewater treatment facilities and a separate agreement with the same company for the operation and maintenance of the sewer and stormwater collection systems. The contractor provides all personnel, supplies and other items necessary to operate the advanced wastewater treatment facilities. In addition, the contractor is responsible for the routine, preventative and corrective maintenance of the facilities, including the Eagle Creek Dam. The agreement specifies an annual base fee to be paid to the contractor. In 2006, the base fee paid to the contractor was \$33,651.
- F. The City entered into an agreement on March 21, 2002 with U.S. Filter Operating Services, Inc. (now Veolia) to operate and maintain the water utility. The contract was effective April 30, 2002 and has a term of twenty (20) years. The agreement provides for the City to pay an annual fixed fee of \$33,303 in the first year of the agreement and additional incentive payments up to \$8,400. In 2006, the total amount paid to Veolia under the management agreement was \$44,413. The annual fixed fee is adjusted annually effective each January 1 by an amount equal to the product of the fixed fee for the previous year times the lesser of (i) 2.5% or (ii) 88.6% of the annual increase in the Consumer Price Index ("CPI"). Beginning in 2007, and subsequently thereafter until 2012, the fixed fee will be adjusted by the "New Composite Price Index" ("NCPI"), which is defined as: $[(.51 * \text{Labor Index}) + (.10 * \text{Utilities Index}) + (.06 * \text{Chemical Index}) + (.33 * \text{CPI})]$. The adjustment effective January 1, 2007 was 3.5%.
- G. The City entered into a Consent Decree with the U.S. Department of Justice and the Indiana Department of Environmental Management, requiring implementation of a 20-year raw sewage combined sewer overflow Long Term Control Plan and steps to address certain sanitary sewer overflows. The requirements in the Consent Decree are anticipated to cost about \$1.8 billion in total (current dollars) by 2025. The Consent Decree also contains stipulated penalties for certain violations, including certain sanitary sewer overflows, which will occur prior to ultimate infrastructure replacements or corrections. The City entered into an agreement with a contractor to assist in the overall management of the initial phase of the proposed program. The total amount of the contract for a 3-year period is \$28,990. The total amount spent in 2006 for the contract was \$7,201.
- H. As indicated in Note 1.D, the Waterworks is rate-regulated by the IURC in connection with its purchase of the Waterworks. As of December 31, 2006, regulatory assets amounting to \$1,232 have been recorded by the City. There are no regulatory liabilities. Due to the unusual nature of this purchase transaction (municipality purchasing a privately owned entity), there is little precedent as to the manner in which the IURC will treat deferred assets and liabilities that had been previously recorded by NiSource or the cost of acquiring the rights to operate the system. Future rulings by the IURC could result in regulatory assets or liabilities being recorded by the City.
- I. The Waterworks is subject to pollution control and water quality control regulations, including those issued by the EPA, the Indiana Department of Environmental Management ("IDEM"), the Indiana Water Pollution Control Board, and the Indiana Department of Natural Resources. From time to time, the Waterworks is involved in environmental matters and claims incidental to its business, and management of the City believes that the outcome of these matters will not have a material adverse effect, either individually or in the aggregate.

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15. Related Party Transactions

The legislative body of the City is the same in several respects as that of Marion County, and the position of the County Executive is the same as the Mayor of Indianapolis. The County provides certain information and telephone services to the City. During the year, the City incurred approximately \$11,289 in costs of which approximately \$977 is due to Marion County at December 31, 2006 for these services. In 2006, the County paid \$1,807 of E-911 dispatch fees to the City. At December 31, 2006, the County owed the City \$538 for fuel charges and \$310 for court costs. In addition, the City and Marion County both act in capacities of pass through and subrecipient agents for federal and state grants. The City loaned Marion County \$1.1 million at December 31, 2006 to pay for costs associated with increased criminal justice needs. The loan will be repaid by December 31, 2007.

The City and Marion County purchase certain insurance policies which cover risks of both entities. The City and County pay premiums associated with their own respective portions of the coverage. The City provides certain administrative services to the County including purchasing, legal, and other general administration. The City funds such services through a county-wide tax levy. The County does not compensate the City for these services. Conversely, Marion County provides, at no compensation, criminal, civil, juvenile, and probate court services to all municipalities and unincorporated areas in Marion County and administers the property tax administration and collection system for the same jurisdictions and the Marion County jail and lockup.

16. Pension Plans

City employees are covered under one of the following defined benefit Public Employees' Retirement Systems (PERS):

A. Plan Descriptions

1. Police and Firefighters (PERF) Plan

Certain police and firefighters are covered by a statutory cost-sharing multiple-employer retirement system. This plan covers all police and firefighters hired after April 30, 1977 or hired before May 1, 1997 who have elected to convert to this plan, and is administered by the Public Employees' Retirement Fund of Indiana ("PERF").

State statute regulates the operations of the system, including benefits, vesting, and contributions. Employees covered may retire and receive full benefits upon attainment of age 52 and 20 years of service. An employee with 20 years of service may leave, but will not receive benefits until reaching age 50. The plan also provides for certain death and disability benefits. The Public Employees' Retirement Fund of Indiana issues a publicly available financial report that includes financial statements and required supplementary information for the City's Police and Firefighters (PERF) Plan and the All Other City Employees Plans. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

Covered employees are required to contribute 6 percent of their compensation. The amount of the employer's contribution is determined by PERF based on a valuation using the entry age normal cost method. The rate of employer contribution is 21 percent of each employee's annual compensation. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004 were \$18,335, \$17,442, and \$15,980, respectively, equal to the required contributions for the year.

2. Police and Firefighters (City) Plans

The City also maintains two single-employer retirement plans covering police and firefighters hired on or before April 30, 1977 and is accounted for in a pension trust fund. No separately prepared financial statements are available for the Police and Firefighters City Plans. Retirement benefits are available after 20 years of service. State statute grants authority for these pension plans and sets the regulations covering benefits. Participants contribute 3% of base salary, defined as the salary of a first-class police officer or a first-class firefighter in 2006. As these salaries increase year by year, benefits are directly adjusted. After participant contributions and state pension relief amounts are projected, property taxes and county option income taxes are levied to provide funding for the anticipated benefit payments for the year budgeted, resulting in benefit payments funded on a "pay-as-you-go" basis. No significant plan assets are accumulated for the payment of future benefits, except as discussed below. Half payment of benefits for City's employees

Indiana's deferred retirement option plan (DROP) was enacted into law in 2002. This law provides that beginning on January 1, 2003, an eligible employee may enter the DROP. The DROP option is available to members of the employees of the police and firefighters (City) plans who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment. Those electing this provision continue to make contributions to the plan and must elect a DROP retirement date not less than twelve (12) months and not more than thirty-six (36) months after the member's DROP entry date. Furthermore, the member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply and may make a DROP election only once in the member's lifetime. Upon retirement, a member will receive a DROP frozen benefit to be paid in a lump-sum distribution or in three (3) equal installments commencing on the member's DROP retirement date.

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3. All Other City Employees Plans

The City contributes to another plan administered by PERF for all other City employees, which is an agent multiple-employer retirement system that acts as a common investment and administrative agent for state employees and employees of participating political subdivisions of the State of Indiana, in accordance with Indiana Codes 5-10.2 and 5-10.3.

Except for police and firefighters, all full-time employees are eligible to participate in this plan. Benefits vest after 10 years of service. City employees who retire at or after age 65 with 10 years of credited service are entitled to an annual retirement, payable monthly for life. City employees who have reached 50 years of age and have 15 years of credited service will qualify for early retirement with reduced benefits. Employees who are at least 55 years of age at retirement and have 30 years of creditable service receive a full pension benefit. Any combination of age and years of service greater than 85 (for those older than 55) also qualifies the employee for full retirement benefit. PERF also provides for death and disability benefits. These benefit provisions and all other requirements are established by state statute.

A contribution of 3% of each employee's annual compensation is required, which is paid by the City. In addition, the City is required to contribute amounts necessary to fund this plan, using the entry age normal cost method as specified by state statute. The City-financed pension benefits are classified as defined benefits, and the employee-financed pension benefits are classified as defined contributions and depend on the amount contributed by the employee plus accumulated investment earnings.

All assets of the plan are held by and invested by PERF. Investments are mainly in obligations of the U.S. government and federal agencies and in equity securities.

B. Funding Status and Progress

The following schedules are derived from the respective actuarial reports and City information for the four pension plans as of December 31, 2006 and, with regard to contributions for 2006, based on the January 1, 2006 actuarial report.

Census data for the four plans are as follows:

	Police and firefighters (City) (3)	Police and firefighters (PERF)	All other City employees
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits (2)	1,909	263	210 (1)
Current employees:			
Vested (2)	249	361	896
Nonvested (2)	—	1,228	883
Total	249	1,589	1,779

(1) Number does not include retirees and beneficiaries currently receiving benefits since PERF pays those benefits from a separate plan.

(2) Amounts presented are not in thousands.

(3) Census data not separately available for police and firefighters (City) plans.

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The significant actuarial assumptions used to determine the net pension obligation/asset are summarized below:

Assumptions	Police and firefighters (City)	Police and firefighters (PERF)	All other City employees
Rate of return on present and future assets	6.00%	7.25%	7.25%
Inflation rate	4.0%	4.0%	*
Salary increase as a result of inflation (compounded annually)	4.0%	2.8%	1.0%
Salary increase as a result of seniority and/or merit adjustments (compounded annually)	0.0%	0.0%	*
Annual postretirement benefit increases following retirement for 5 years	4% for nonconverted and 2.75% for converted	3.0%	1.0%
Asset valuation method	N/A	smoothed basis	75% of expected actuarial value plus 25% of market value
Amortization method	level dollar	level dollar	level dollar
Amortization period	closed – 30 years	closed – 30 years	open – 30 years

* Based on PERF experience 1995 – 2000.

The calculation of the annual pension cost and net pension obligation/asset is as follows:

	Police (City)	Firefighters (City)	Total
Actuarial valuation date	January 1, 2006	January 1, 2006	
Annual required contribution	\$ 31,494	\$ 26,823	\$ 58,317
Interest on net pension obligation	12,047	10,730	22,777
Adjustment to annual required contribution	(14,774)	(13,159)	(27,933)
Annual pension cost	28,767	24,394	53,161
Contributions made	24,053	23,217	47,270
Increase in net pension obligation	4,714	1,177	5,891
Cumulative pension obligation-beginning of year	200,790	178,825	379,615
Net pension obligation-end of year	\$ 205,504	\$ 180,002	\$ 385,506

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	<u>All other City employees</u>
Actuarial valuation date	June 30, 2006
Annual required contribution	\$ 2,988
Interest on net pension obligation	(110)
Adjustment to annual required contribution	<u>125</u>
Annual pension cost	3,003
Contributions made	<u>(1,983)</u>
Decrease in net pension asset	1,020
Cumulative pension asset-beginning of year	<u>(1,524)</u>
Net pension asset-end of year	<u><u>\$ (504)</u></u>

C. Contribution Requirements and Contributions Made

Except for the Police and Firefighters (City) Plans, the funding policies of the PERS provide for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Police and Firefighter (City), the Other City Employees Plan, and the Police and Firefighters (PERF) Plan use the entry-age normal cost method to determine the contribution requirements.

	Methods and Assumptions	
	Actuarial funding method	Period to amortize unfunded actuarial accrued liability
Police and Firefighters (City) Plan	Entry Age Normal Cost	30
Police and Firefighters (PERF) Plan	Entry Age Normal Cost	30
All Other City Employees Plan	Entry Age Normal Cost	30

The Pension Trust Fund payments on behalf of benefits for City's employees were recognized as revenues and expenditures during the period.

The present value of expected future funding to be received from the State of Indiana for pension relief contributions on the City plan for police and firefighters totaled \$318,381 as of January 1, 2006. In 2006, the State of Indiana contributed \$35,064 of pension relief to the Police and Firefighters (City) Plans.

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For the year ended December 31, 2006, the City's total payroll for all employees consists of the following:

Police and Firefighters (City) Plans	\$ 15,123
Police and Firefighters (PERF) Plans	98,029
All Other City Employees Plan	69,696
Noncovered employees	<u>3,154</u>
Total payroll	<u><u>\$ 186,002</u></u>

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information for the Police and Firefighters (PERF) Plan showing PERF's progress in accumulating sufficient assets to pay benefits when due is presented in PERF's June 30, 2006 annual report.

The historical trend information for the Police and Firefighters (City) Plans and the All Other City Employees Plan is presented immediately after the notes to the basic financial statements and the budgetary schedules.

Selected trend information for the years ended December 31, 2006, 2005, and 2004 is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Cumulative net pension obligation (asset)</u>
Police (City) Plan:			
2006	\$ 28,767	83.6 %	\$ 205,504
2005	29,120	82.5	200,790
2004	41,121	55.4	195,694
Firefighters (City) Plan:			
2006	24,394	95.2	180,002
2005	25,699	80.7	178,825
2004	38,328	50.8	173,869
All Other City Employees Plan:			
2006	3,003	66.0	(504)
2005	2,249	75.7	(1,524)
2004	1,827	64.8	(2,071)

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

As separate financial statements are not issued for the individual pension trust funds, the following are the financial statements for those funds:

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2006
(In Thousands)

	Police Pension	Fire Pension	Total
ASSETS			
Equity in pooled cash	\$ 500	\$ 850	\$ 1,350
Investments	3,901	4,250	8,151
Accrued interest receivable	39	35	74
Accounts receivable	8	—	8
Total assets	<u>4,448</u>	<u>5,135</u>	<u>9,583</u>
LIABILITIES			
Accounts payable and other accrued liabilities	<u>759</u>	<u>845</u>	<u>1,604</u>
Total liabilities	<u>759</u>	<u>845</u>	<u>1,604</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 3,689</u>	<u>\$ 4,290</u>	<u>\$ 7,979</u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

CITY OF INDIANAPOLIS
Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighter Pension Trust Funds
Year ended December 31, 2006
(In Thousands)

	Pension Trust Funds		
	Police Pension	Fire Pension	Total
ADDITIONS			
State of Indiana pension subsidy received from the General Fund	\$ 18,186	\$ 16,878	\$ 35,064
Interest income and other	30	125	155
	<u>18,216</u>	<u>17,003</u>	<u>35,219</u>
Contributions:			
Employer	8,632	8,821	17,453
Plan members	77	82	159
	<u>8,709</u>	<u>8,903</u>	<u>17,612</u>
Total additions	<u>26,925</u>	<u>25,906</u>	<u>52,831</u>
DEDUCTIONS			
Benefits	24,404	26,021	50,425
Total deductions	<u>24,404</u>	<u>26,021</u>	<u>50,425</u>
Change in plan net assets	2,521	(115)	2,406
Net assets – beginning	2,168	4,405	6,573
Net assets – ending	<u>\$ 4,689</u>	<u>\$ 4,290</u>	<u>\$ 8,979</u>

17. Postretirement Benefits

In connection with the City's purchase of the Waterworks, the City acquired an obligation for paying for postretirement healthcare and life insurance benefits ("Retiree Benefits") for certain employees and former employees of IWCR, now Veolia. As of January 1, 2006, there were 365 (not in thousands) participants currently receiving Retiree Benefits.

Prior to the purchase of the Waterworks by the City, IURC approved a rate increase so that assets could be accumulated over time to pay for the current and future costs of the Retiree Benefits. As a condition of including Retiree Benefit costs in rates on an accrual basis, the IURC required IWCR to establish a grantor trust ("Trust"). Money received from rates to pay for Retiree Benefits must be deposited into the Trust. The Trust must be disbursed to pay for the Retiree Benefits, and certain administrative expenses. The Trust is subject to the creditor's of the City. In the event that the Trust assets are no longer needed to pay for Retiree Benefits, the assets must be paid to ratepayers. At December 31, 2006 \$8,703 is held in the Trust and included in restricted assets in the accompanying statement of net assets of the Waterworks.

The information that follows on the postretirement benefit plan was obtained from the actuarial valuation of the plan for the year ended December 31, 2006.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

The following table sets forth the change in the plan's accumulated postretirement benefit obligation (APBO) as of December 31, 2006:

Accumulated postretirement benefit obligation at beginning of year	\$ 46,214
Service cost	39
Interest cost	2,594
Benefits paid	(2,103)
Adjustment	—
Actuarial loss	<u>(615)</u>
Accumulated postretirement benefit obligation at end of year	<u><u>\$ 46,129</u></u>

The change in the fair value of the plan's assets for the year ended December 31, 2006 is as follows:

Fair value of plan assets at beginning of year	\$ —
City contributions	2,103
Benefits paid	<u>(2,103)</u>
Plan assets at fair value at end of year	<u><u>—</u></u>

The reconciliation between the accumulated benefit obligation at the end of the year and the net amount recognized for the statement of net assets is as follows:

Accumulated postretirement benefit obligation	\$ 46,129
Unrecognized transition obligation	(3,689)
Unrecognized net loss	<u>(19,998)</u>
Amount recognized as deferred charge – postretirement benefits	<u>(23,687)</u>
Net amount recognized	<u><u>\$ 22,442</u></u>

A discount rate of 5.75% and a pre-Medicare medical trend rate of 9.50% declining to a long-term rate of 5.00% in 2015 were used to determine the APBO at December 31, 2006.

Net periodic postretirement benefit costs for the year ended December 31, 2006 include the following components:

Service cost	\$ 39
Interest cost	2,594
Amortization of transition obligation	615
Loss	<u>1,349</u>
	<u><u>\$ 4,597</u></u>

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

Assumptions used in the determination of 2006 net periodic postretirement benefits costs were as follows:

Discount rate	5.75 %
Rate of increase in compensation levels	4.00
Assumed annual rate of increase in healthcare benefits	9.50
Assumed ultimate trend rate	5.00

The effect of a 1% increase in the assumed healthcare cost trend rates for each future year would increase the accumulated postretirement benefit obligation at December 31, 2006 by approximately \$9,626 and increase the aggregate of the service and interest cost components of plan costs by approximately \$956 for the year ended December 31, 2006. Amounts disclosed above could be changed significantly in the future by changes in healthcare costs, work demographics, interest rates, or plan changes.

18. Interfund Transactions and Balances

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. The composition of interfund receivable and payable balances as of December 31, 2006 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Waterworks	\$ 654
Indianapolis Housing Agency	Nonmajor governmental	(344)
		<u>\$ 310</u>

Interfund transfers for the year ended December 31, 2006 consisted of the following:

<u>Transfers out</u>	<u>Transfers in</u>				<u>Total</u>
	<u>General Fund</u>	<u>Federal Grants Fund</u>	<u>Revenue Debt Service Fund</u>	<u>Nonmajor governmental funds</u>	
General Fund	\$ —	\$ 31	\$ 20,054	\$ 17,585	\$ 37,670
Nonmajor governmental funds	2,147	—	513	4,983	7,643
Total transfers out	<u>\$ 2,147</u>	<u>\$ 31</u>	<u>\$ 20,567</u>	<u>\$ 22,568</u>	<u>\$ 45,313</u>

Interfund transfers were used to (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

19. Explanation of Certain Difference Between Governmental Fund Financial Statements and the Government-wide Financial Statements

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Balances at December 31, 2006 were as follows:

Bonds and notes payable	\$ 1,213,502
Deferred premiums, net of discounts	5,915
Deferred amount from refunding	(3,290)
Amounts recorded as matured bonds payable at December 31, 2006	(33,275)
Capital leases payable	1,112
Net pension obligation	385,506
Compensated absences	22,351
Settlements payable	<u>816</u>
Combined adjustment	<u><u>\$ 1,592,637</u></u>

Proceeds from issuance of debt is reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

Debt issued:

General obligation bonds	\$ —
Revenue bonds	171,678
Notes payable	28,323
Deferred premiums	<u>2,691</u>
Combined adjustment	<u><u>\$ 202,692</u></u>

Repayments:

Bond principal, including increase in matured bonds payable	\$ 73,040
Notes payable	<u>23,343</u>
Combined adjustment	<u><u>\$ 96,383</u></u>

20. Deficit Fund Balances and Net Assets

The Federal Grants Fund had a negative fund balance of \$175 at December 31, 2006. The negative fund balance will be covered by reimbursements from the Federal Government. The MECA Debt Service Fund has a negative fund balance of \$199 at December 31, 2006 which will be covered by increased property taxes in 2007. The Workers Compensation Self Insurance Fund has a negative fund balance of \$330 which will be covered by future billings.

21. Subsequent Events

On February 21, 2007, the Indianapolis Local Public Improvement Bond Bank (the "Bond Bank") issued \$33,160 of 2007 A Sanitary District Revenue Bonds to pay for improvements to the sanitary system and refund short-term obligations and to fund interest through January 1, 2009 and closing costs.

CITY OF INDIANAPOLIS
Notes to Financial Statements
December 31, 2006
(In thousands)

On March 6, 2007, the City issued the Waterworks District Net Revenue Refunding Bonds, Series 2007 B in the amount of \$70,410. The City will use the proceeds from the sale of these bonds to advance refund a portion (\$76,235) of Waterworks District Net Revenue Bonds, Series 2002 A Bonds. The bonds will fully mature on January 1, 2025.

On April 26, 2007, the City issued Metropolitan Emergency Communications Agency bond anticipation notes in the amount of \$22,875 to fund emergency communication upgrades. The notes will fully mature on January 15, 2008.

On May 10, 2007, the City issued Indiana Taxable Economic Development Revenue Bonds, Series 2007 in the amount of \$6,000 to fund economic facilities in the Glendale Redevelopment Area. The bonds will fully mature on February 1, 2027.

On September 4, 2007, the Bond Bank issued \$11,000 of County Option Income Tax Revenue Anticipation Notes, Series 2007 A to fund certain operating and capital expenditures related to public safety and criminal justice.

On April 4, 2007, the Indiana Utility Regulatory Commission approved a settlement agreement in Cause 43056 concerning the Department of Waterworks request for a change in its schedule of rates and charges. This agreement allows for the Department of Waterworks to increase its rates and charges for the sale of water by an average of 28.9%. It also allowed for a consolidation of rates and charges for the Harbour Water & IW Morgan water systems to be the same as that of Indianapolis Water. On April 25, 2007, the Board of Directors of the Department of Waterworks passed Resolution 13, 2007 which affirmed the final order issued by the Indiana Utility Regulatory Commission. The new schedule of rates and charges was filed with and became effective with the Indiana Utility Regulatory Commission on April 26, 2007. The new rates were implemented on May 1, 2007 corresponding to the five year rate freeze that was promised during the purchase of the former Indianapolis Water Company.

On June 26, 2007, the Board of Directors of the Department of Waterworks (the "Department") passed Resolution 19, 2007. This resolution affirmed the First Amendment (the "First Amendment") to the Management Agreement dated March 21, 2002, between Veolia Water Indianapolis, LLC ("Veolia"), the contract operator of the waterworks utility, and the Department (the "Management Agreement"). The Management Agreement set forth specific events, the occurrence of which allow the parties to renegotiate the Fixed Fee and/or the Management Agreement. The First Amendment is the result of such renegotiation and will result in additional payments of \$225 per month in 2007 starting on July 1, 2007 for a total of \$1,350 an additional payment of \$32 per month in 2008. It also calls for lump sum payments of \$1,667 per year for 2007, 2008, and 2009 by September 30th of each year. Starting with the 2008 billing year, additional payments of \$317 will be made to compensate for additional operation and maintenance costs associated with the White River North Groundwater Treatment Plant and the Geist Groundwater Treatment Plant.

The First Amendment also calls for additional payments to be made for increased operations and maintenance costs associated with "New Major Capital Projects" or "New Major Decommissioning Projects" that result in an increase of costs of 0.4% of existing operation and maintenance costs. In addition, the Department has agreed to treat all costs associated with meters, hydrants, valves and new service connections as Capital Projects for which reimbursement will be made to Veolia. It was further agreed between the parties that the Department will reimburse Veolia for certain costs related to a request from the Indiana Department of Environmental Management to conduct an Enhanced Atrazine Monitoring Program and incurred on or after April 24, 2007.

In 2005, the City-County Council approved the merger of the Indianapolis Police Department and the Marion County Sheriff's Department. The purpose of the merger is to improve the coordination of police operations in Indianapolis and improve efficiencies. The merger went into effect January 1, 2007.

In 2006, the City-County Council approved the consolidation of the Washington Township Fire Department into the Indianapolis Fire Department ("IFD"), effective January 1, 2007. In early 2007, the Council also approved the consolidation of the Warren Township Fire Department into IFD, effective July 1, 2007. The purpose of both consolidations is to enhance the fire protection service and improve staffing levels.

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Required
Supplementary Information

CITY OF INDIANAPOLIS
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2006
(In Thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget – positive (negative)
Revenues:				
Taxes	\$ 207,423	\$ 206,081	\$ 200,270	\$ (5,811)
Licenses and permits	8,429	11,092	13,191	2,099
Charges for services	110,821	130,646	123,763	(6,883)
Intergovernmental revenues	44,368	49,388	50,620	1,232
Traffic violations and court fees	3,269	3,297	2,343	(954)
Intragovernmental revenues	3,112	4,136	2,948	(1,188)
Interest and other operating revenues	3,583	6,926	13,515	6,589
Total revenues	<u>381,005</u>	<u>411,566</u>	<u>406,650</u>	<u>(4,916)</u>
Expenditures:				
Current:				
General government	25,013	26,095	25,625	470
Public safety	173,923	179,929	176,618	3,311
Public works	118,875	121,549	118,598	2,951
Health and welfare	4,059	4,039	3,358	681
Cultural and recreation	25,563	25,678	24,897	781
Urban redevelopment and housing	4,942	5,855	5,366	489
Economic development and assistance	1,340	1,531	1,522	9
Capital outlays	18,394	32,307	28,732	3,575
Total expenditures	<u>372,109</u>	<u>396,983</u>	<u>384,716</u>	<u>12,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,896</u>	<u>14,583</u>	<u>21,934</u>	<u>7,351</u>
Other financing sources and (uses):				
Sale and lease of property	1,097	273	342	69
Transfers in (out)	(28,227)	(28,227)	(31,851)	(3,624)
Total other financing sources and (uses)	<u>(27,130)</u>	<u>(27,954)</u>	<u>(31,509)</u>	<u>(3,555)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(18,234)</u>	<u>(13,371)</u>	<u>(9,575)</u>	<u>3,796</u>
Unreserved fund balance at beginning of year	67,999	93,096	98,658	5,562
Cancellation of purchase orders and other	30,659	(4,858)	7,352	12,210
Unreserved fund balance at end of year	<u>\$ 80,424</u>	<u>\$ 74,867</u>	<u>\$ 96,435</u>	<u>\$ 21,568</u>

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis (Required Supplementary Information)
Year ended December 31, 2006
(In Thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:				
Intergovernmental revenues	\$ 24,897	\$ 28,210	\$ 14,315	\$ (13,895)
Traffic violations and court fees	468	468	391	(77)
Interest and other operating revenues	—	—	102	102
Total revenues	<u>25,365</u>	<u>28,678</u>	<u>14,808</u>	<u>(13,870)</u>
Expenditures:				
Current:				
Public safety	901	1,497	1,049	448
Health and welfare	1,270	1,302	1,233	69
Cultural and recreation	665	737	619	118
Urban redevelopment and housing	22,294	25,432	22,477	2,955
Economic development and assistance	230	429	297	132
Capital outlays	455	507	452	55
Total expenditures	<u>25,815</u>	<u>29,904</u>	<u>26,127</u>	<u>3,777</u>
Excess (deficiency) of revenues over (under) expenditures	(450)	(1,226)	(11,319)	(10,093)
Other financing sources and (uses):				
Sales and lease of property	—	—	22	22
Transfers in (out)	—	—	30	30
Total other financing sources and (uses)	<u>—</u>	<u>—</u>	<u>52</u>	<u>52</u>
Revenues over (under) expenditures and other financing sources and (uses)	(450)	(1,226)	(11,267)	(10,041)
Unreserved fund balance at beginning of year	2,677	—	1,155	1,155
Cancellation of purchase orders and other	450	654	10,112	9,458
Unreserved fund balance at end of year	<u>\$ 1,111</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 572</u>

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Required Pension Supplementary Information
Schedules of Funding Progress
(In Thousands)

<u>Asset valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL) entry age</u>	<u>Unfunded (overfunded) AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Police (City) Plan						
1/1/2006	\$ —	\$ 416,473	\$ 416,473	— %	\$ 6,918	6,020 %
1/1/2005	—	410,996	410,996	—	7,891	5,208
1/1/2004	—	422,051	422,051	—	8,540	4,942
1/1/2003	—	411,376	411,376	—	11,348	3,625
1/1/2002	—	438,968	438,968	—	10,893	4,030
1/1/2001	—	443,603	443,603	—	9,279	4,781
Firefighters (City) Plan						
1/1/2006	—	352,202	352,202	—	6,115	5,760
1/1/2005	—	365,792	365,792	—	9,019	4,056
1/1/2004	—	375,302	375,302	—	9,650	3,889
1/1/2003	—	351,702	351,702	—	11,442	3,074
1/1/2002	—	378,485	378,485	—	11,121	3,403
1/1/2001	—	385,318	385,318	—	9,895	3,894
All Other City Employees (PERF) Plan*						
7/1/2006	109,666	94,284	(15,382)	116	69,242	22
7/1/2005	97,743	91,533	(6,210)	107	70,572	9
7/1/2004	96,445	82,593	(13,852)	117	71,872	19

* Information required for only most recent actuarial valuation and the two preceding valuations

CITY OF INDIANAPOLIS
Required Pension Supplementary Information
Schedule of Employer Contributions
(In Thousands)

		Police and Firefighters (PERF)			All Other City Employees (PERF)		
		Annual required contribution	Percentage contributed		Annual required contribution	Percentage contributed	
Plan year ended 6/30							
2006	\$	18,335	100	%	\$	2,988	66 %
2005		17,442	100			2,228	76
2004		15,980	100			1,183	66
2003		15,238	100			2,306	30
2002		14,638	100			477	136
2001		11,916	100			173	536
		Police (City)			Firefighters (City)		
		Annual required contribution	Percentage contributed		Annual required contribution	Percentage contributed	
Plan year ended December 31							
2006	\$	31,494	76	%	\$	26,823	87 %
2005		31,009	77			28,175	74
2004		50,257	45			45,226	43
2003		47,138	54			40,661	56
2002		47,411	46			42,037	46
2001		46,738	45			41,025	45

See notes to required supplementary information.

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2006
(In thousands)

1. Budgets and Budgetary Accounting

- A) The City is required by state statute and Council ordinance to adopt annual budgets for all subfunds of the General Fund; all Special Revenue Funds except the Cable Franchise PEG Grants Fund; all Debt Service Funds; the City Cumulative Capital Development and the County Cumulative Capital Development Capital Projects Funds, and the Police Pension and Fire Pension Trust Funds to the object level of control. These budgets require City-County Council approval and are prepared for each departmental division and approved at the five object levels of expenditure (personal services, supplies, other services and charges, capital outlay, and internal charges). In addition, control is achieved for other capital projects funds by the original bond resolutions that are required by state statute to be approved by the City-County Council for all bond issues for taxing units within the consolidated City. These originating bond resolutions serve as the basis for the appropriations for capital projects. These appropriations do not lapse at year-end. All other City sources of finance for capital projects are required to be appropriated within the providing City budgetary fund. Control over spending from funds which are not subject to the City-County Council appropriation process is accomplished by the requirement that all disbursements of such funds be made only to a budgeted fund.

The City-County Council may amend appropriations by transferring unencumbered appropriations from one object to another within the same fund, and may also make additional appropriations to the extent of unappropriated fund balances. Transfers of appropriations from one line item to another within the object level of control may be approved by City management. During the year, for the General Fund and the Federal Grants Special Revenue Fund, the following supplementary appropriations were properly approved:

	General Fund	Federal Grants Special Revenue Fund
Original appropriations	\$ 372,109	\$ 25,815
Revisions	24,874	4,089
Revised appropriations	<u>\$ 396,983</u>	<u>\$ 29,904</u>

The budget information disclosed includes the budget ordinances as amended. Internal charges are recorded as expenditures in one fund and negative expenditures in the receiving fund. Budgeted disbursements may exceed estimated revenues as appropriations contemplate the utilization of beginning fund balances. Except for Capital Projects Funds (excluding Cumulative Capital Development Funds) and certain Special Revenue Funds, unencumbered appropriations lapse with the expiration of the budgetary period. All budgets are prepared on the cash basis of accounting.

- B) The City's procedures in establishing the budget are as follows:
- 1) Prior to July 1, the Department Directors, in conjunction with the Mayor's staff and the City Controller, develop budgets for the subsequent calendar year for the individual divisions within their respective departments.
 - 2) In July, the City Controller prepares the budget ordinances, which are introduced by the Mayor to the City-County Council at the first August Council meeting. In developing these budgets, the City Controller adds the June 30 cash and investment balances to estimated revenues to be received and expenditures to be incurred July 1 through December 31 in arriving at a December 31 "projected budgetary fund balance." The projected budgetary fund balance and estimated revenues for the ensuing year are reduced by that year's budgeted expenditures in developing the amount to be funded from ad valorem property taxes, to the extent of the maximum levy. By using this procedure, any actual results favorable or unfavorable to those estimated for any year are incorporated into the subsequent year's budget.
 - 3) The Council assigns the introduced budgets to the appropriate Council Committees. In August and September, each Council Committee holds public hearings on the budget of the department or division for which it is responsible.

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2006
(In thousands)

- 4) Before Council budget ordinances are approved by the Council, they are advertised by the Controller twice in a local newspaper prior to the last Council meeting in September. The Council may not pass a budget above the level advertised. The Mayor may veto separate items of an approved budget ordinance, but the Council may override a veto by a two-thirds vote.
- 5) The Indiana Department of Local Government Finance makes the final review of the budget. It can revise, reduce, or restore on appeal budgets, levies, and tax rates removed by the City-County Council. Except for Debt Service Funds, the Indiana Department of Local Government Finance may not increase a budget, levy, or tax rate above the level originally advertised. If the budgets seek to exceed the tax limits of the state control laws, an excess levy may be granted if the excess levy meets state law requirements, and is approved by the Indiana Department of Local Government Finance. The Indiana Department of Local Government Finance is required to certify the budgets, levies, and rates by January 15.
- 6) The City's maximum permissible annual ad valorem property tax levy is restricted by Indiana law, with certain adjustments and exceptions, to the prior year's maximum permissible ad valorem property tax levy adjusted by the average growth factor in non-farm income in the State of Indiana.
- C) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Pension Trust Funds. Encumbrances do not lapse with the expiration of the budget period. Encumbrances to be financed from future revenues other than approved grant revenues are recorded in their entirety as a reservation of fund balance since they do not constitute expenditures.

2. Budget/GAAP Reporting Differences

Adjustments necessary to convert the results of 2006 operations from a budgetary basis to a GAAP basis are as follows:

	General Fund	Federal Grants Special Revenue Fund
Revenues over (under) expenditures and other financing sources and (uses) (budgetary basis)	\$ (9,575)	\$ (11,267)
Adjustments:		
Accrued revenues	25,110	9,021
Accrued expenditures	(38,171)	(416)
Notes issued	12,541	—
Nonbudgeted activity (net)	—	2,460
Transfers, net	(3,672)	1
Encumbrances	25,747	8,674
Expenditures from prior year encumbrances	(19,331)	(8,369)
Net change in fund balances (GAAP basis)	\$ <u>(7,351)</u>	\$ <u>104</u>

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2006
(In thousands)

3. Copy of Pension Plan's Report

The Public Employees' Retirement Fund of Indiana ("PERF") issues a publicly available financial report that includes financial statements and required supplementary information for the City's Police and Firefighters (PERF) Plan and the All Other City Employees Plans. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

CITY OF INDIANAPOLIS
Notes to Required Supplementary Information
December 31, 2006
(In thousands)

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Additional
Supplementary Information

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type
December 31, 2006
(In Thousands)

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Equity in pooled cash	\$ 1,104	\$ 13,852	\$ 15,495	\$ —	\$ 30,451
Cash and investments with fiscal agents	—	4,256	20,502	345	25,103
Investments	2,306	23,768	32,337	—	58,411
Accrued interest receivable	35	372	149	—	556
Property taxes receivable	—	1,373	374	—	1,747
Accounts receivable	1	1,235	5,543	—	6,779
Due from federal and state governments	14	—	—	—	14
Total assets	<u>\$ 3,460</u>	<u>\$ 44,856</u>	<u>\$ 74,400</u>	<u>\$ 345</u>	<u>\$ 123,061</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Matured bonds payable	\$ —	\$ 21,126	\$ —	\$ —	\$ 21,126
Matured interest payable	—	9,664	—	—	9,664
Accounts payable and other accrued liabilities	555	266	7,726	—	8,547
Accrued payroll and payroll taxes	3	—	—	—	3
Due to other funds	—	—	344	—	344
Deferred revenue	196	1,540	1,741	—	3,477
Total liabilities	<u>754</u>	<u>32,596</u>	<u>9,811</u>	<u>—</u>	<u>43,161</u>
Fund balances:					
Reserved for encumbrances	648	—	12,580	—	13,228
Reserved for debt service	—	12,260	—	—	12,260
Unreserved	2,058	—	52,009	345	54,412
Total fund balances	<u>2,706</u>	<u>12,260</u>	<u>64,589</u>	<u>345</u>	<u>79,900</u>
Total liabilities and fund balances	<u>\$ 3,460</u>	<u>\$ 44,856</u>	<u>\$ 74,400</u>	<u>\$ 345</u>	<u>\$ 123,061</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds by Fund Type
Year ended December 31, 2006

(In Thousands)

	Nonmajor	Nonmajor	Nonmajor	Nonmajor	Total Nonmajor
	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Governmental Funds
Revenues:					
Taxes	\$ —	\$ 27,849	\$ 14,695	\$ —	\$ 42,544
Charges for services	2,355	—	—	—	2,355
Intergovernmental revenues	110	—	4,062	—	4,172
Traffic violations and court fees	1,598	—	—	—	1,598
Interest and other operating revenues	267	5,463	1,822	19	7,571
Total revenues	<u>4,330</u>	<u>33,312</u>	<u>20,579</u>	<u>19</u>	<u>58,240</u>
Expenditures:					
Current:					
General government	—	—	—	10	10
Public safety	525	—	—	—	525
Public works	696	—	—	—	696
Cultural and recreation	3	—	—	—	3
Economic development and assistance	63	—	—	—	63
Debt service:					
Redemption of bonds and notes	24	21,904	19,604	—	41,532
Interest on bonds and notes	3	19,010	900	—	19,913
Bond and note issuance costs	—	—	1,435	—	1,435
Operating lease payments and administration	—	17,416	—	—	17,416
Capital outlays	<u>1,534</u>	<u>—</u>	<u>34,763</u>	<u>—</u>	<u>36,297</u>
Total expenditures	<u>2,848</u>	<u>58,330</u>	<u>56,702</u>	<u>10</u>	<u>117,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,482</u>	<u>(25,018)</u>	<u>(36,123)</u>	<u>9</u>	<u>(59,650)</u>
Other financing sources and (uses):					
Bonds and notes issued	—	—	75,777	—	75,777
Premium on bonds and notes issued	—	—	2,494	—	2,494
Transfers in	41	22,527	—	—	22,568
Transfers out	<u>(2,150)</u>	<u>—</u>	<u>(5,493)</u>	<u>—</u>	<u>(7,643)</u>
Total other financing sources and (uses)	<u>(2,109)</u>	<u>22,527</u>	<u>72,778</u>	<u>—</u>	<u>93,196</u>
Net change in fund balances	(627)	(2,491)	36,655	9	33,546
Fund balances at beginning of year	<u>3,333</u>	<u>14,751</u>	<u>27,934</u>	<u>336</u>	<u>46,354</u>
Fund balances at end of year	<u>\$ 2,706</u>	<u>\$ 12,260</u>	<u>\$ 64,589</u>	<u>\$ 345</u>	<u>\$ 79,900</u>

General Fund

The General Fund is used to account for all financial resources of the City of Indianapolis except those required to be accounted for in another fund. Thus, all general operating revenues which are not restricted as to use by sources outside of the City are recorded in the General Fund. Further, as required by statute, the financial resources of the General Fund are accounted for in a series of sub-funds as follows:

Consolidated County -	to account for all financial resources for which the taxpayer base is county-wide
Redevelopment -	to account for all financial resources of the Redevelopment special taxing district for economic development activities
Solid Waste Collection -	to account for all financial resources of the Solid Waste Collection special service district for refuse collection services
Solid Waste Disposal -	to account for all financial resources of the Solid Waste Disposal special service district for refuse disposal services
Sanitation -	to account for all financial resources of the Sanitation special taxing district for liquid waste services
Maintenance Operation -	to account for the financial resources required to perform various maintenance functions by the Department of Public Works
Transportation -	to account for all financial resources of the Metropolitan Thoroughfare special taxing district
Police -	to account for all financial resources of the Police special service district
Fire -	to account for all financial resources of the Fire special service district
Pension Stabilization -	to account for proceeds to be applied to unfunded costs of the police and fire pension obligations
Park -	to account for all financial resources of the Park special taxing district
Metropolitan Police	to account for all financial resources of the consolidated Indianapolis Metropolitan Police Department
Storm Water Management -	to account for all financial resources for storm water drainage services

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CITY OF INDIANAPOLIS
Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2006
(In Thousands)

	General Fund	Intrafund	Consolidated	Redevelop-	Solid Waste		
	Total	Eliminations	County	ment	Collection	Disposal	Sanitation
ASSETS							
Equity in pooled cash	\$ 46,574	\$ \$ —	\$ 11,616	\$ 3,281	\$ 2,118	\$ 2,202	\$ 13,771
Cash and investments with fiscal agents	47,582	—	151	—	50	—	—
Investments	96,923	—	23,868	6,845	4,418	4,592	28,737
Accrued interest receivable	1,147	—	381	104	34	57	187
Property taxes receivable	4,395	—	566	204	699	—	—
Accounts receivable	75,759	—	14,296	44	239	14,665	15,157
Allowance for estimated uncollectibles – accounts receivable	(3,393)	—	—	—	—	(30)	(2,332)
Due from other funds	654	—	—	—	—	—	—
Due from federal and state governments	234	—	180	—	—	—	—
Total assets	<u>\$ 269,875</u>	<u>\$ —</u>	<u>\$ 51,058</u>	<u>\$ 10,478</u>	<u>\$ 7,558</u>	<u>\$ 21,486</u>	<u>\$ 55,520</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other accrued liabilities	\$ 15,425	\$ \$ —	\$ 3,566	\$ 131	\$ 1,381	\$ 992	\$ 3,922
Accrued payroll and payroll taxes	19,979	—	13,183	12	103	—	33
Deferred revenue	24,210	—	12,306	208	990	952	1,736
Total liabilities	<u>59,614</u>	<u>—</u>	<u>29,055</u>	<u>351</u>	<u>2,474</u>	<u>1,944</u>	<u>5,691</u>
Fund balances:							
Reserved for long-term receivables	1,596	—	496	—	—	—	1,100
Reserved for encumbrances	25,170	—	4,458	140	1,118	153	6,032
Reserved for pension obligations	46,852	—	—	—	—	—	—
Unreserved	136,643	—	17,049	9,987	3,966	19,389	42,697
Total fund balance	<u>210,261</u>	<u>—</u>	<u>22,003</u>	<u>10,127</u>	<u>5,084</u>	<u>19,542</u>	<u>49,829</u>
Total liabilities and fund balances	<u>\$ 269,875</u>	<u>\$ —</u>	<u>\$ 51,058</u>	<u>\$ 10,478</u>	<u>\$ 7,558</u>	<u>\$ 21,486</u>	<u>\$ 55,520</u>

(Continued)

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Assets, Liabilities, and Fund Balance – General Fund
December 31, 2006
(In Thousands)

	Maintenance Operation	Transportation	Police	Fire	Pension Stabilization	Park	Metropolitan Police	Storm Water Management
ASSETS								
Equity in pooled cash	\$ —	\$ 5,435	\$ 190	\$ 459	\$ —	\$ 1,269	\$ —	\$ 6,233
Cash and investments with fiscal agents	—	529	—	—	46,852	—	—	—
Investments	—	11,342	554	957	—	2,603	—	13,007
Accrued interest receivable	—	178	—	—	—	48	—	158
Property taxes receivable	—	—	—	1,277	—	477	1,172	—
Accounts receivable	—	5,417	2,126	3,951	—	188	16,930	2,746
Allowance for estimated uncollectibles – accounts receivable	—	—	—	—	—	—	—	(1,031)
Due from other funds	—	—	—	—	—	—	—	654
Due from federal and state governments	—	—	—	54	—	—	—	—
Total assets	<u>\$ —</u>	<u>\$ 22,901</u>	<u>\$ 2,870</u>	<u>\$ 6,698</u>	<u>\$ 46,852</u>	<u>\$ 4,585</u>	<u>\$ 18,102</u>	<u>\$ 21,767</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable and other accrued liabilities	\$ —	\$ 3,219	\$ 429	\$ 166	\$ —	\$ 681	\$ 188	\$ 750
Accrued payroll and payroll taxes	—	271	—	1,852	—	224	4,272	29
Deferred revenue	—	2,012	690	1,681	—	739	1,259	1,637
Total liabilities	<u>—</u>	<u>5,502</u>	<u>1,119</u>	<u>3,699</u>	<u>—</u>	<u>1,644</u>	<u>5,719</u>	<u>2,416</u>
Fund balance:								
Reserved for long-term receivables	—	—	—	—	—	—	—	—
Reserved for encumbrances	—	6,218	136	185	—	1,242	—	5,488
Reserved for pension obligations	—	—	—	—	46,852	—	—	—
Unreserved	—	11,181	1,615	2,814	—	1,699	12,383	13,863
Total fund balance	<u>—</u>	<u>17,399</u>	<u>1,751</u>	<u>2,999</u>	<u>46,852</u>	<u>2,941</u>	<u>12,383</u>	<u>19,351</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ 22,901</u>	<u>\$ 2,870</u>	<u>\$ 6,698</u>	<u>\$ 46,852</u>	<u>\$ 4,585</u>	<u>\$ 18,102</u>	<u>\$ 21,767</u>

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year ended December 31, 2006
(In Thousands)

	General Fund Total	Intrafund eliminations	Consolidated County	Redevelop- ment	Solid Waste		Sanitation	Maintenance Operation
					Collection	Disposal		
Revenues:								
Taxes	\$ 218,279	\$ —	\$ 24,026	\$ 1,490	\$ 26,798	\$ —	\$ —	\$ —
Licenses and permits	13,097	—	11,011	—	—	—	1,843	—
Charges for services	128,200	—	10,586	51	210	12,653	78,178	—
Other intergovernmental revenues:		—						
Federal revenues	885	—	429	—	—	—	—	—
State revenues	82,667	—	3,986	618	3	—	502	—
Other revenues	3,577	—	2,324	—	—	—	—	—
Intragovernmental revenue	3,804	—	3,804	—	—	—	—	—
Traffic violations and court fees	2,414	—	645	—	327	—	65	—
Interest and other operating revenues	16,571	—	5,812	780	482	497	1,581	7
Total revenues	<u>469,494</u>	<u>—</u>	<u>62,582</u>	<u>2,939</u>	<u>27,820</u>	<u>13,150</u>	<u>82,169</u>	<u>7</u>
Expenditures:								
Current:								
General government	24,183	—	24,183	—	—	—	—	—
Public safety	250,513	—	31,674	—	2,976	—	—	—
Public works	116,336	—	2,749	—	22,695	10,473	47,313	—
Health and welfare	3,253	—	1,684	—	461	—	1,139	—
Cultural and recreation	24,842	—	1,544	—	—	—	—	—
Urban redevelopment and housing	4,490	—	2,910	1,578	—	—	—	—
Economic development and assistance	1,526	—	1,506	20	—	—	—	—
Debt service:								
Redemption of bonds and notes	3,128	—	213	—	901	—	733	—
Interest on bonds and notes	3,264	—	8	1	35	—	—	—
Bond and note issuance costs	86	—	5	—	—	—	—	—
Operating lease payments and administration	3	—	—	—	—	—	—	—
Capital outlay	22,517	—	625	37	416	—	4,700	—
Total expenditures	<u>454,141</u>	<u>—</u>	<u>67,101</u>	<u>1,636</u>	<u>27,484</u>	<u>10,473</u>	<u>53,885</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,353</u>	<u>—</u>	<u>(4,519)</u>	<u>1,303</u>	<u>336</u>	<u>2,677</u>	<u>28,284</u>	<u>7</u>
Other financing sources and (uses):								
Sale of capital assets	278	—	132	54	45	—	—	—
Bonds and notes issued	12,344	—	490	—	—	—	3,344	—
Premium on notes issued	197	—	14	—	—	—	—	—
Transfers in	2,147	(40,737)	412	—	—	2,500	—	—
Transfers out	(37,670)	40,737	(41)	—	(2,500)	—	(32,451)	(664)
Total other financing sources and (uses)	<u>(22,704)</u>	<u>—</u>	<u>1,048</u>	<u>54</u>	<u>(2,455)</u>	<u>2,500</u>	<u>(29,107)</u>	<u>(664)</u>
Net change in fund balance	(7,351)	—	(3,471)	1,357	(2,119)	5,177	(823)	(657)
Fund balance at beginning of year	217,612	—	25,474	8,770	7,203	14,365	50,652	657
Fund balance at end of year	<u>\$ 210,261</u>	<u>\$ —</u>	<u>\$ 22,003</u>	<u>\$ 10,127</u>	<u>\$ 5,084</u>	<u>\$ 19,542</u>	<u>\$ 49,829</u>	<u>\$ —</u>

(Continued)

CITY OF INDIANAPOLIS
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year ended December 31, 2006
(In Thousands)

	<u>Transportation</u>	<u>Police</u>	<u>Fire</u>	<u>Pension Stabilization</u>	<u>Park</u>	<u>Metropolitan Police</u>	<u>Storm Water Management</u>
Revenues:							
Taxes	\$ 8,078	\$ 70,130	\$ 51,651	\$ —	\$ 19,356	\$ 16,750	\$ —
Licenses and permits	—	221	19	—	2	1	—
Charges for services	850	2,033	434	—	4,200	88	18,917
Other intergovernmental revenues:							
Federal revenues	166	141	173	—	(24)	—	—
State revenues	36,860	23,260	17,438	—	—	—	—
Other revenues	2	659	592	—	—	—	—
Intragovernmental revenue	—	—	—	—	—	—	—
Traffic violations and court fees	—	1,376	—	—	—	1	—
Interest and other operating revenues	2,385	(313)	(105)	2,805	1,818	3	819
Total revenues	<u>48,341</u>	<u>97,507</u>	<u>70,202</u>	<u>2,805</u>	<u>25,352</u>	<u>16,843</u>	<u>19,736</u>
Expenditures:							
Current:							
General government	—	—	—	—	—	—	—
Public safety	—	126,637	82,795	—	—	4,679	1,752
Public works	30,305	—	—	—	—	—	2,801
Health and welfare	(32)	—	1	—	—	—	—
Cultural and recreation	891	—	—	—	22,407	—	—
Urban redevelopment and housing	2	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—	—
Debt service:							
Redemption of bonds and notes	901	—	—	—	380	—	—
Interest on bonds and notes	35	423	285	2,365	112	—	—
Bond and note issuance costs	—	25	56	—	—	—	—
Operating lease payments and administration	—	—	—	—	3	—	—
Capital outlay	13,339	164	272	—	2,079	—	885
Total expenditures	<u>45,441</u>	<u>127,249</u>	<u>83,409</u>	<u>2,365</u>	<u>24,981</u>	<u>4,679</u>	<u>5,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,900</u>	<u>(29,742)</u>	<u>(13,207)</u>	<u>440</u>	<u>371</u>	<u>12,164</u>	<u>14,298</u>
Other financing sources and (uses):							
Sale of capital assets	5	—	23	—	3	16	—
Bonds and notes issued	—	2,654	5,856	—	—	—	—
Premium on notes issued	—	57	126	—	—	—	—
Transfers in	869	28,100	10,800	—	—	203	—
Transfers out	(3,139)	(3,196)	—	(29,900)	(1)	—	(6,515)
Total other financing sources and (uses)	<u>(2,265)</u>	<u>27,615</u>	<u>16,805</u>	<u>(29,900)</u>	<u>2</u>	<u>219</u>	<u>(6,515)</u>
Net change in fund balance	635	(2,127)	3,598	(29,460)	373	12,383	7,783
Fund balance at beginning of year	16,764	3,878	(599)	76,312	2,568	—	11,568
Fund balance at end of year	<u>\$ 17,399</u>	<u>\$ 1,751</u>	<u>\$ 2,999</u>	<u>\$ 46,852</u>	<u>\$ 2,941</u>	<u>\$ 12,383</u>	<u>\$ 19,351</u>

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Total General Fund		Consolidated County		Redevelopment		Solid Waste Collection	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Taxes	\$ 206,081	\$ 200,270	\$ 24,689	\$ 24,026	\$ 1,389	\$ 1,490	\$ 27,516	\$ 26,798
Licenses and permits	11,092	13,191	10,949	11,103	—	—	—	—
Charges for services	130,646	123,763	11,499	11,299	91	49	133	201
Other intergovernmental revenues:								
Federal revenues	533	761	513	314	—	—	—	—
State revenues	45,744	46,181	4,119	3,797	—	618	180	75
Other revenues	3,111	3,678	1,867	2,324	—	—	—	—
Traffic violations and court fees	3,297	2,343	481	642	—	—	285	326
Intragovernmental revenues	4,136	2,948	4,136	2,948	—	—	—	—
Interest and other operating revenues	6,926	13,515	1,383	4,250	339	663	325	443
Total revenues	<u>411,566</u>	<u>406,650</u>	<u>59,636</u>	<u>60,703</u>	<u>1,819</u>	<u>2,820</u>	<u>28,439</u>	<u>27,843</u>
Expenditures:								
Current:								
General government	26,095	25,625	26,095	25,625	—	—	—	—
Public safety	179,929	176,618	34,983	32,167	—	—	3,069	2,979
Public works	121,549	118,598	2,808	2,803	—	—	23,260	23,117
Health and welfare	4,039	3,358	2,197	1,801	—	—	497	424
Cultural and recreation	25,678	24,897	1,544	1,544	—	—	—	—
Urban redevelopment and housing	5,855	5,366	3,994	3,756	1,861	1,610	—	—
Economic development and assistance	1,531	1,522	1,480	1,502	51	20	—	—
Capital outlays	32,307	28,732	1,078	878	833	138	1,581	1,479
Total expenditures	<u>396,983</u>	<u>384,716</u>	<u>74,179</u>	<u>70,076</u>	<u>2,745</u>	<u>1,768</u>	<u>28,407</u>	<u>27,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,583</u>	<u>21,934</u>	<u>(14,543)</u>	<u>(9,373)</u>	<u>(926)</u>	<u>1,052</u>	<u>32</u>	<u>(156)</u>
Other financing sources and (uses):								
Sale of capital assets	273	342	—	132	20	54	70	45
Transfers in (out)	(28,227)	(31,851)	400	413	—	—	(2,500)	(2,500)
Total other financing sources and (uses)	<u>(27,954)</u>	<u>(31,509)</u>	<u>400</u>	<u>545</u>	<u>20</u>	<u>54</u>	<u>(2,430)</u>	<u>(2,455)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(13,371)</u>	<u>(9,575)</u>	<u>(14,143)</u>	<u>(8,828)</u>	<u>(906)</u>	<u>1,106</u>	<u>(2,398)</u>	<u>(2,611)</u>
Unreserved fund balance at beginning of year	93,096	98,658	22,068	22,522	8,175	8,720	6,213	6,372
Cancellation of purchase orders and other	(4,858)	7,352	8,627	3,073	822	37	610	329
Unreserved fund balance at end of year	<u>\$ 74,867</u>	<u>\$ 96,435</u>	<u>\$ 16,552</u>	<u>\$ 16,767</u>	<u>\$ 8,091</u>	<u>\$ 9,863</u>	<u>\$ 4,425</u>	<u>\$ 4,090</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Solid Waste Disposal		Sanitation		Maintenance Operation	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	45	1,843	—	—
Charges for services	8,263	8,449	86,423	77,865	—	—
Other intergovernmental revenues:						
Federal revenues	—	—	—	—	—	—
State revenues	—	—	5,000	—	—	—
Other revenues	—	—	—	—	—	—
Traffic violations and court fees	—	—	—	63	—	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	224	416	1,266	1,203	—	8
Total revenues	<u>8,487</u>	<u>8,865</u>	<u>92,734</u>	<u>80,974</u>	<u>—</u>	<u>8</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	—	—	—	—	—	—
Public works	11,373	9,365	48,738	48,539	—	—
Health and welfare	—	—	1,265	1,120	—	—
Cultural and recreation	—	—	—	—	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	—	—	6,406	4,718	—	—
Total expenditures	<u>11,373</u>	<u>9,365</u>	<u>56,409</u>	<u>54,377</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,886)</u>	<u>(500)</u>	<u>36,325</u>	<u>26,597</u>	<u>—</u>	<u>8</u>
Other financing sources and (uses):						
Sale of capital assets	—	—	—	—	—	—
Transfers in (out)	2,500	2,500	(22,451)	(23,551)	—	(664)
Total other financing sources and (uses)	<u>2,500</u>	<u>2,500</u>	<u>(22,451)</u>	<u>(23,551)</u>	<u>—</u>	<u>(664)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(386)</u>	<u>2,000</u>	<u>13,874</u>	<u>3,046</u>	<u>—</u>	<u>(656)</u>
Unreserved fund balance at beginning of year	3,898	3,791	26,426	29,785	—	136
Cancellation of purchase orders and other	1	129	(14,169)	916	—	1,254
Unreserved fund balance at end of year	<u>\$ 3,513</u>	<u>\$ 5,920</u>	<u>\$ 26,131</u>	<u>\$ 33,747</u>	<u>\$ —</u>	<u>\$ 734</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Transportation		Police		Fire	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 8,900	\$ 7,853	\$ 75,428	\$ 73,807	\$ 48,257	\$ 46,940
Licenses and permits	—	—	90	223	8	20
Charges for services	642	424	2,073	2,033	1,529	434
Other intergovernmental revenues:						
Federal revenues	—	166	—	143	—	135
State revenues	32,510	37,830	3,675	3,601	260	260
Other revenues	—	103	652	659	592	592
Traffic violations and court fees	—	—	1,600	1,312	931	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	2,650	2,876	61	2,482	6	30
Total revenues	<u>44,702</u>	<u>49,252</u>	<u>83,579</u>	<u>84,260</u>	<u>51,583</u>	<u>48,411</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	—	—	89,750	89,751	49,533	49,296
Public works	32,234	31,742	—	—	—	—
Health and welfare	80	13	—	—	—	—
Cultural and recreation	939	894	—	—	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	14,002	13,917	290	215	453	310
Total expenditures	<u>47,255</u>	<u>46,566</u>	<u>90,040</u>	<u>89,966</u>	<u>49,986</u>	<u>49,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,553)</u>	<u>2,686</u>	<u>(6,461)</u>	<u>(5,706)</u>	<u>1,597</u>	<u>(1,195)</u>
Other financing sources and (uses):						
Sale of capital assets	14	31	1	10	—	23
Transfers in (out)	(1,941)	(2,270)	2,150	1,933	(1,400)	(1,400)
Total other financing sources and (uses)	<u>(1,927)</u>	<u>(2,239)</u>	<u>2,151</u>	<u>1,943</u>	<u>(1,400)</u>	<u>(1,377)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(4,480)</u>	<u>447</u>	<u>(4,310)</u>	<u>(3,763)</u>	<u>197</u>	<u>(2,572)</u>
Unreserved fund balance at beginning of year	6,157	6,947	4,845	4,106	4,680	3,544
Cancellation of purchase orders and other	700	1,285	34	(44)	(4,361)	150
Unreserved fund balance at end of year	<u>\$ 2,377</u>	<u>\$ 8,679</u>	<u>\$ 569</u>	<u>\$ 299</u>	<u>\$ 516</u>	<u>\$ 1,122</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Sub-Fund Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Park		Metropolitan Police		Storm Water Management	
	Final budget	Actual	Final Budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 19,902	\$ 19,356	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	2	—	—	—	—
Charges for services	4,692	4,110	—	—	15,301	18,899
Other intergovernmental revenues:						
Federal revenues	20	3	—	—	—	—
State revenues	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—
Traffic violations and court fees	—	—	—	—	—	—
Intragovernmental revenues	—	—	—	—	—	—
Interest and other operating revenues	572	624	—	—	100	520
Total revenues	<u>25,186</u>	<u>24,095</u>	<u>—</u>	<u>—</u>	<u>15,401</u>	<u>19,419</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public safety	—	—	321	219	2,273	2,206
Public works	—	—	—	—	3,136	3,032
Health and welfare	—	—	—	—	—	—
Cultural and recreation	23,195	22,459	—	—	—	—
Urban redevelopment and housing	—	—	—	—	—	—
Economic development and assistance	—	—	—	—	—	—
Capital outlays	2,558	1,973	—	—	5,106	5,104
Total expenditures	<u>25,753</u>	<u>24,432</u>	<u>321</u>	<u>219</u>	<u>10,515</u>	<u>10,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(567)</u>	<u>(337)</u>	<u>(321)</u>	<u>(219)</u>	<u>4,886</u>	<u>9,077</u>
Other financing sources and (uses):						
Sale of property	—	3	—	16	168	28
Transfers in (out)	—	—	—	203	(4,985)	(6,515)
Total other financing sources and (uses)	<u>—</u>	<u>3</u>	<u>—</u>	<u>219</u>	<u>(4,817)</u>	<u>(6,487)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(567)</u>	<u>(334)</u>	<u>(321)</u>	<u>—</u>	<u>69</u>	<u>2,590</u>
Unreserved fund balance at beginning of year	2,267	2,300	—	—	8,367	10,435
Cancellation of purchase orders and other	1,223	205	321	—	1,334	18
Unreserved fund balance at end of year	<u>\$ 2,923</u>	<u>\$ 2,171</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,770</u>	<u>\$ 13,043</u>

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Administration				
Office of the Mayor	Consolidated County			
Personal services		\$ 857	\$ 833	\$ 24
Supplies		2	1	1
Other services and charges		147	144	3
Capital outlay		3	—	3
Internal charges		1	—	1
Total		<u>1,010</u>	<u>978</u>	<u>32</u>
Internal Audit	Consolidated County			
Personal services		579	553	26
Supplies		3	1	2
Other services and charges		74	57	17
Capital outlay		7	7	—
Internal charges		2	1	1
Total		<u>665</u>	<u>619</u>	<u>46</u>
City-County Council and Council Clerk	Consolidated County			
Personal services		1,067	960	107
Supplies		9	4	5
Other services and charges		602	429	173
Capital outlay		18	14	4
Total		<u>1,696</u>	<u>1,407</u>	<u>289</u>
Cable Franchise Board	Consolidated County			
Personal services		401	384	17
Supplies		13	6	7
Other services and charges		236	192	44
Capital outlay		25	6	19
Internal charges		1	—	1
Total		<u>676</u>	<u>588</u>	<u>88</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Office of the Corporation Counsel	Consolidated County			
Personal services		\$ 2,638	\$ 2,465	\$ 173
Supplies		10	6	4
Other services and charges		1,626	1,624	2
Internal charges		(1,825)	(1,825)	—
Total		<u>2,449</u>	<u>2,270</u>	<u>179</u>
Office of Finance and Management	Consolidated County			
Personal services		1,967	1,785	182
Supplies		6	6	—
Other services and charges		7,849	7,693	156
Capital outlay		10	6	4
Internal charges		25	25	—
Total		<u>9,857</u>	<u>9,515</u>	<u>342</u>
Office of Finance and Management	Consolidated County			
Purchasing Division		889	829	60
Personal services		3	3	—
Supplies		218	201	17
Other services and charges		5	5	—
Total		<u>1,115</u>	<u>1,038</u>	<u>77</u>
Administrative Services Division	Consolidated County			
Personal services		1,043	951	92
Supplies		10	10	—
Other services and charges		449	357	92
Capital outlay		15	9	6
Internal charges		163	161	2
Total		<u>1,680</u>	<u>1,488</u>	<u>192</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Human Resources Division	Consolidated County			
Personal services		\$ 1,183	\$ 1,119	\$ 64
Supplies		20	10	10
Other services and charges		412	297	115
Capital outlay		7	3	4
Internal charges		19	17	2
Total		<u>1,641</u>	<u>1,446</u>	<u>195</u>
Equal Opportunity Division	Consolidated County			
Personal services		367	318	49
Supplies		3	2	1
Other services and charges		39	32	7
Capital outlay		3	2	1
Internal charges		6	6	—
Total		<u>418</u>	<u>360</u>	<u>58</u>
Total – Department of Administration		\$ <u>21,207</u>	\$ <u>19,709</u>	\$ <u>1,498</u>
Department of Metropolitan Development				
Division of Administrative Services	Redevelopment			
Personal services		\$ 570	\$ 509	\$ 61
Supplies		2	—	2
Other services and charges		116	96	20
Capital outlay		3	1	2
Internal charges		(357)	(355)	(2)
Total		<u>334</u>	<u>251</u>	<u>83</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Community Development and Financial Services	Consolidated County			
Personal services		\$ 618	\$ 567	\$ 51
Supplies		1	1	—
Other services and charges		2,097	2,000	97
Capital outlay		1	1	—
Internal charges		(49)	(33)	(16)
Total		<u>2,668</u>	<u>2,536</u>	<u>132</u>
Community Development and Financial Services	Redevelopment			
Personal services		90	75	15
Supplies		1	1	—
Other services and charges		1,387	1,203	184
Capital outlay		831	137	694
Internal charges		102	101	1
Total		<u>2,411</u>	<u>1,517</u>	<u>894</u>
Division of Planning	Consolidated County			
Personal services		850	831	19
Supplies		5	5	—
Other services and charges		449	419	30
Capital outlay		10	5	5
Internal charges		142	142	—
Total		<u>1,456</u>	<u>1,402</u>	<u>54</u>
Neighborhood Services	Consolidated County			
Personal services		1,422	1,333	89
Supplies		6	3	3
Other services and charges		344	314	30
Capital outlay		4	2	2
Internal charges		(973)	(879)	(94)
Total		<u>803</u>	<u>773</u>	<u>30</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Historic Preservation	Consolidated County			
Personal services		\$ 156	\$ 141	\$ 15
Supplies		1	1	—
Other services and charges		36	24	12
Capital outlay		1	—	1
Internal charges		5	5	—
Total		<u>199</u>	<u>171</u>	<u>28</u>
Division of Compliance	Consolidated County			
Personal services		5,132	4,317	815
Supplies		38	38	—
Other services and charges		2,327	1,828	499
Capital outlay		347	330	17
Internal charges		961	946	15
Total		<u>8,805</u>	<u>7,459</u>	<u>1,346</u>
Total – Department of Metropolitan Development		\$ <u>16,676</u>	\$ <u>14,109</u>	\$ <u>2,567</u>
Department of Public Works				
Policy and Planning	Consolidated County			
Personal services		\$ 4,973	\$ 4,731	\$ 242
Supplies		64	51	13
Other services and charges		2,516	2,234	282
Capital outlay		115	106	9
Internal charges		(5,374)	(5,396)	22
Total		<u>2,294</u>	<u>1,726</u>	<u>568</u>
Policy and Planning	Transportation			
Other services and charges		80	14	66
Total		<u>80</u>	<u>14</u>	<u>66</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Policy and Planning	Solid Waste Collection			
Personal services		\$ 84	\$ 83	\$ 1
Supplies		2	1	1
Other services and charges		411	340	71
Capital outlay		2	—	2
Total		<u>499</u>	<u>424</u>	<u>75</u>
Policy and Planning	Sanitation			
Personal services		737	736	1
Supplies		28	25	3
Other services and charges		483	341	142
Capital outlay		29	26	3
Internal charges		18	18	—
Total		<u>1,295</u>	<u>1,146</u>	<u>149</u>
Policy and Planning	Storm Water Management			
Personal services		<u>56</u>	<u>55</u>	<u>1</u>
Total		<u>56</u>	<u>55</u>	<u>1</u>
Engineering	Consolidated County			
Supplies		22	20	2
Other services and charges		575	544	31
Capital outlay		26	22	4
Internal charges		<u>(623)</u>	<u>(592)</u>	<u>(31)</u>
Total		<u>—</u>	<u>(6)</u>	<u>6</u>
Engineering	Transportation			
Personal services		2,207	2,014	193
Other services and charges		6,935	6,934	1
Capital outlay		12,726	12,701	25
Internal charges		<u>999</u>	<u>984</u>	<u>15</u>
Total		<u>22,867</u>	<u>22,633</u>	<u>234</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Engineering	Sanitation			
Personal services		\$ 843	\$ 841	\$ 2
Supplies		121	121	—
Capital outlay		6,314	4,630	1,684
Internal charges		789	753	36
Total		<u>8,067</u>	<u>6,345</u>	<u>1,722</u>
Engineering	Storm Water Management			
Personal services		231	231	—
Other services and charges		1,343	1,287	56
Capital outlay		5,000	4,998	2
Internal charges		278	268	10
Total		<u>6,852</u>	<u>6,784</u>	<u>68</u>
Operations	Consolidated County			
Other services and charges		2,670	2,666	4
Internal charges		138	137	1
Total		<u>2,808</u>	<u>2,803</u>	<u>5</u>
Operations	Transportation			
Personal services		13,380	13,328	52
Supplies		3,715	3,690	25
Other services and charges		1,786	1,629	157
Capital outlay		1,276	1,216	60
Internal charges		3,409	3,355	54
Total		<u>23,566</u>	<u>23,218</u>	<u>348</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Operations	Solid Waste Collection			
Personal services		\$ 6,137	\$ 6,126	\$ 11
Supplies		99	94	5
Other services and charges		13,304	13,267	37
Capital outlay		1,566	1,479	87
Internal charges		6,670	6,501	169
Total		<u>27,776</u>	<u>27,467</u>	<u>309</u>
Operations	Solid Waste Disposal			
Other services and charges		10,818	8,811	2,007
Internal charges		555	554	1
Total		<u>11,373</u>	<u>9,365</u>	<u>2,008</u>
Operations	Sanitation			
Personal services		582	570	12
Supplies		2	1	1
Other services and charges		44,242	44,099	143
Capital outlay		62	62	—
Internal charges		2,159	2,154	5
Total		<u>47,047</u>	<u>46,886</u>	<u>161</u>
Operations	Storm Water Management			
Personal services		1,560	1,560	—
Supplies		59	58	1
Other services and charges		1,290	1,209	81
Capital outlay		106	106	—
Internal charges		592	570	22
Total		<u>3,607</u>	<u>3,503</u>	<u>104</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Fleet Services	Consolidated County			
Personal services		\$ 4,867	\$ 4,867	\$ —
Supplies		14,118	13,455	663
Other services and charges		2,327	2,317	10
Capital outlay		89	89	—
Internal charges		(16,927)	(14,986)	(1,941)
Total		<u>4,474</u>	<u>5,742</u>	<u>(1,268)</u>
Total – Department of Public Works		\$ <u>162,661</u>	\$ <u>158,105</u>	\$ <u>4,556</u>
Department of Public Safety				
Public Safety Administration	Consolidated County			
Personal services		\$ 571	\$ 517	\$ 54
Supplies		5	2	3
Other services and charges		164	120	44
Capital outlay		4	4	—
Internal charges		260	260	—
Total		<u>1,004</u>	<u>903</u>	<u>101</u>
Emergency Management Planning	Consolidated County			
Personal services		392	343	49
Supplies		7	6	1
Other services and charges		216	216	—
Capital outlay		12	10	2
Internal charges		29	29	—
Total		<u>656</u>	<u>604</u>	<u>52</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Police Department	Consolidated County			
Personal services		\$ 12,093	\$ 12,091	\$ 2
Supplies		426	418	8
Other services and charges		1,249	1,167	82
Capital outlay		18	18	—
Internal charges		1,132	874	258
Total		<u>14,918</u>	<u>14,568</u>	<u>350</u>
Indianapolis Police Department	Solid Waste Collection			
Personal services		96	96	—
Supplies		8	—	8
Other services and charges		6	2	4
Capital outlay		12	—	12
Internal charges		10	10	—
Total		<u>132</u>	<u>108</u>	<u>24</u>
Indianapolis Police Department	Police			
Personal services		78,532	78,532	—
Supplies		688	688	—
Other services and charges		5,297	5,297	—
Capital outlay		290	216	74
Internal charges		5,233	5,233	—
Total		<u>90,040</u>	<u>89,966</u>	<u>74</u>
Indianapolis Fire Department	Consolidated County			
Personal services		8,790	8,059	731
Supplies		310	291	19
Other services and charges		1,122	929	193
Capital outlay		216	130	86
Internal charges		350	261	89
Total		<u>10,788</u>	<u>9,670</u>	<u>1,118</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Fire Department	Fire			
Personal services		\$ 45,785	\$ 45,784	\$ 1
Supplies		962	900	62
Other services and charges		1,112	938	174
Capital outlay		453	310	143
Internal charges		1,674	1,674	—
Total		<u>49,986</u>	<u>49,606</u>	<u>380</u>
Weights and Measures	Consolidated County			
Personal services		279	276	3
Supplies		1	—	1
Other services and charges		31	20	11
Capital outlay		24	23	1
Internal charges		15	11	4
Total		<u>350</u>	<u>330</u>	<u>20</u>
Animal Care and Control	Consolidated County			
Personal services		2,081	2,067	14
Supplies		143	134	9
Other services and charges		524	440	84
Capital outlay		120	85	35
Internal charges		(2,663)	(2,584)	(79)
Total		<u>205</u>	<u>142</u>	<u>63</u>
Total – Department of Public Safety		\$ <u>168,079</u>	\$ <u>165,897</u>	\$ <u>2,182</u>

(Continued)

CITY OF INDIANAPOLIS
General Fund
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Budgetary account</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Parks and Recreation	Consolidated County			
Other services and charges		\$ 1,544	\$ 1,544	\$ —
Total		<u>1,544</u>	<u>1,544</u>	<u>—</u>
Department of Parks and Recreation	Transportation			
Personal services		38	38	—
Other services and charges		554	546	8
Internal charges		150	117	33
Total		<u>742</u>	<u>701</u>	<u>41</u>
Department of Parks and Recreation	Park			
Personal services		15,640	15,007	633
Supplies		1,157	1,099	58
Other services and charges		5,191	5,147	44
Capital outlay		2,559	1,974	585
Internal charges		1,206	1,205	1
Total		<u>25,753</u>	<u>24,432</u>	<u>1,321</u>
Total – Department of Parks and Recreation		\$ <u>28,039</u>	\$ <u>26,677</u>	\$ <u>1,362</u>
Indianapolis Metropolitan Police Department	Metropolitan Police			
Personal services		\$ 321	\$ 219	\$ 102
Total		<u>321</u>	<u>219</u>	<u>102</u>
Total – Indianapolis Metropolitan Police Department		\$ <u>321</u>	\$ <u>219</u>	\$ <u>102</u>
Total – General Fund – by Department and Division		\$ <u><u>396,983</u></u>	\$ <u><u>384,716</u></u>	\$ <u><u>12,267</u></u>

Nonmajor Special Revenue Fund

The Special Revenue Funds include funds which are restricted as to use by the State government and special purpose funds established by authority of the City-County Council.

Parking -	to account for all parking meter collections; these receipts are used to defray the cost of meter maintenance, the repair of sidewalks and curbs, and the repair of streets
Cable Franchise - PEG Grants	to account for contributions from the two cable franchise agreements to provide for public purpose grants for the capital costs of Public, Educational, or Governmental (PEG) Access Facilities
State of Indiana Grants -	to account for all grants received from the State of Indiana

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Special Revenue Funds
December 31, 2006
(In Thousands)

	Parking	Cable Franchise PEG Grants	State of Indiana Grants	Total Nonmajor Special Revenue Funds
ASSETS				
Equity in pooled cash	\$ 667	\$ 41	\$ 396	\$ 1,104
Investments	1,394	87	825	2,306
Accrued interest receivable	22	1	12	35
Accounts receivable	1	—	—	1
Due from federal and state governments	—	—	14	14
Total assets	<u>\$ 2,084</u>	<u>\$ 129</u>	<u>\$ 1,247</u>	<u>\$ 3,460</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 266	\$ —	\$ 289	\$ 555
Accrued payroll and payroll taxes	3	—	—	3
Deferred revenue	—	—	196	196
Total liabilities	<u>269</u>	<u>—</u>	<u>485</u>	<u>754</u>
Fund balances:				
Reserved for encumbrances	290	—	358	648
Unreserved	<u>1,525</u>	<u>129</u>	<u>404</u>	<u>2,058</u>
Total fund balances	<u>1,815</u>	<u>129</u>	<u>762</u>	<u>2,706</u>
Total liabilities and fund balances	<u>\$ 2,084</u>	<u>\$ 129</u>	<u>\$ 1,247</u>	<u>\$ 3,460</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds
Year ended December 31, 2006
(In Thousands)

	<u>Parking</u>	<u>Cable franchise PEG grants</u>	<u>Grants and gifts</u>	<u>State of Indiana grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:					
Charges for services	\$ 2,355	\$ —	\$ —	\$ —	\$ 2,355
Other intergovernmental revenues:					
Federal revenues	—	—	—	21	21
State revenues	—	—	—	89	89
Traffic violations and court fees	1,423	—	—	175	1,598
Interest and other operating revenues	<u>118</u>	<u>18</u>	<u>—</u>	<u>131</u>	<u>267</u>
Total revenues	<u>3,896</u>	<u>18</u>	<u>—</u>	<u>416</u>	<u>4,330</u>
Expenditures:					
Current:					
Public safety	300	—	—	225	525
Public works	696	—	—	—	696
Cultural and recreation	—	—	—	3	3
Economic development and assistance	—	—	—	63	63
Debt service:					
Redemption of bonds and notes	—	—	—	24	24
Interest on bonds and notes	—	—	—	3	3
Capital outlay	<u>996</u>	<u>—</u>	<u>—</u>	<u>538</u>	<u>1,534</u>
Total expenditures	<u>1,992</u>	<u>—</u>	<u>—</u>	<u>856</u>	<u>2,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,904</u>	<u>18</u>	<u>—</u>	<u>(440)</u>	<u>1,482</u>
Other financing sources and (uses):					
Transfers in	—	41	—	—	41
Transfers out	<u>(2,150)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,150)</u>
Total other financing sources and (uses)	<u>(2,150)</u>	<u>41</u>	<u>—</u>	<u>—</u>	<u>(2,109)</u>
Net change in fund balances	<u>(246)</u>	<u>59</u>	<u>—</u>	<u>(440)</u>	<u>(627)</u>
Fund balances at beginning of year	<u>2,061</u>	<u>70</u>	<u>—</u>	<u>1,202</u>	<u>3,333</u>
Fund balances at end of year	<u>\$ 1,815</u>	<u>\$ 129</u>	<u>\$ —</u>	<u>\$ 762</u>	<u>\$ 2,706</u>

CITY OF INDIANAPOLIS
Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Parking		Federal Grants		State of Indiana Grants		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:								
Charges for services	\$ 2,345	\$ 2,361	\$ —	\$ —	\$ —	\$ —	\$ 2,345	\$ 2,361
Other intergovernmental revenues:								
Federal revenues	—	—	28,210	13,951	—	—	28,210	13,951
Other revenues	—	—	572	364	—	—	—	364
Traffic violations and court fees	1,896	1,417	468	391	457	324	2,821	2,132
Interest and other operating revenues	55	110	—	102	—	55	55	267
Total revenues	<u>4,296</u>	<u>3,888</u>	<u>29,250</u>	<u>14,808</u>	<u>457</u>	<u>379</u>	<u>33,431</u>	<u>19,075</u>
Expenditures:								
Current:								
Public safety	300	300	1,497	1,049	240	227	2,037	1,576
Public works	754	750	—	—	—	—	754	750
Health and welfare	—	—	1,302	1,233	—	—	1,302	1,233
Cultural and recreation	—	—	737	619	5	5	742	624
Urban redevelopment and housing	—	—	25,432	22,477	—	—	25,432	22,477
Economic development and assistance	—	—	429	297	—	—	429	297
Capital outlays	752	751	507	452	562	562	1,821	1,765
Total expenditures	<u>1,806</u>	<u>1,801</u>	<u>29,904</u>	<u>26,127</u>	<u>807</u>	<u>794</u>	<u>32,517</u>	<u>28,722</u>
Excess (deficiency) of revenues over expenditures	<u>2,490</u>	<u>2,087</u>	<u>(654)</u>	<u>(11,319)</u>	<u>(350)</u>	<u>(415)</u>	<u>914</u>	<u>(9,647)</u>
Other financing sources and (uses), net:								
Sale of capital assets	—	—	—	22	—	94	—	116
Transfers in (out)	(2,150)	(2,150)	—	30	—	—	(2,150)	(2,120)
Total other financing sources and (uses)	<u>(2,150)</u>	<u>(2,150)</u>	<u>—</u>	<u>52</u>	<u>—</u>	<u>94</u>	<u>(2,150)</u>	<u>(2,004)</u>
Revenues over (under) expenditures and other financing sources (uses)	340	(63)	(654)	(11,267)	(350)	(321)	(1,236)	(11,651)
Unreserved fund balances at beginning of year	1,476	1,530	—	1,155	—	1,148	1,476	3,833
Cancellation of purchase orders and other	1	50	654	10,112	350	(827)	1,577	9,335
Unreserved fund balances at end of year	<u>\$ 1,817</u>	<u>\$ 1,517</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,817</u>	<u>\$ 1,517</u>

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Metropolitan Development				
Community Development and Financial Services	Federal Grants			
Personal services		\$ 1,039	\$ 966	\$ 73
Supplies		3	3	—
Other services and charges		20,770	18,660	2,110
Internal charges		160	160	—
Total		<u>21,972</u>	<u>19,789</u>	<u>2,183</u>
Division of Planning	Federal Grants			
Personal services		1,310	1,294	16
Supplies		13	12	1
Other services and charges		3,702	2,747	955
Capital outlay		5	2	3
Total		<u>5,030</u>	<u>4,055</u>	<u>975</u>
Historic Preservation	Federal Grants			
Personal services		139	138	1
Supplies		3	2	1
Other services and charges		25	24	1
Total		<u>167</u>	<u>164</u>	<u>3</u>
Division Compliance	Federal Grants			
Other services and charges		50	50	—
Total		<u>50</u>	<u>50</u>	<u>—</u>
Total – Department of Metropolitan Development		\$ <u>27,219</u>	\$ <u>24,058</u>	\$ <u>3,161</u>

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Works				
Engineering	Parking			
Other services and charges		\$ 300	\$ 300	\$ —
Capital outlay		750	750	—
Internal charges		44	43	1
Total		<u>1,094</u>	<u>1,093</u>	<u>1</u>
Operations	Parking			
Personal services		235	235	—
Supplies		90	90	—
Other services and charges		351	347	4
Capital outlay		2	2	—
Internal charges		34	34	—
Total		<u>712</u>	<u>708</u>	<u>4</u>
Total – Department of Public Works		\$ <u>1,806</u>	\$ <u>1,801</u>	\$ <u>5</u>
Indianapolis Police Department	Federal Grants			
Personal services		\$ 607	\$ 522	\$ 85
Supplies		231	102	129
Other services and charges		291	90	201
Capital outlay		477	425	52
Internal charges		24	22	2
Total		<u>1,630</u>	<u>1,161</u>	<u>469</u>
Indianapolis Police Department	State of Indiana Grants			
Supplies		30	30	—
Other services and charges		210	197	13
Capital outlay		560	560	—
Total		<u>800</u>	<u>787</u>	<u>13</u>

(Continued)

CITY OF INDIANAPOLIS
Special Revenue Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Indianapolis Fire Department	Federal Grants			
Personal services		\$ 155	\$ 144	\$ 11
Supplies		25	10	15
Other services and charges		110	109	1
Capital outlay		25	25	—
Internal charges		2	—	2
Total		<u>317</u>	<u>288</u>	<u>29</u>
Total – Department of Public Safety		\$ <u>2,747</u>	\$ <u>2,236</u>	\$ <u>511</u>
Department of Parks and Recreation	Federal Grants			
Personal services		\$ 272	\$ 245	\$ 27
Supplies		52	18	34
Other services and charges		414	357	57
Total		<u>738</u>	<u>620</u>	<u>118</u>
Department of Parks and Recreation	State of Indiana Grants			
Supplies		4	4	—
Other services and charges		1	1	—
Capital outlay		2	2	—
Total		<u>7</u>	<u>7</u>	<u>—</u>
Total – Department of Parks and Recreation		\$ <u>745</u>	\$ <u>627</u>	\$ <u>118</u>
Total – Special Revenue Funds – by Department and Division		\$ <u><u>32,517</u></u>	\$ <u><u>28,722</u></u>	\$ <u><u>3,795</u></u>

Nonmajor Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of four of the taxing districts. Nonmajor Debt service requirements are funded generally from property tax revenues and other operating revenues.

Civil City -	to account for the accumulation of resources for, and the payment of general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Civil City
Redevelopment District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Redevelopment District and to account for the accumulation of resources for, and the payment of, long-term lease commitments to the Marion County Convention and Recreation Facility Authority (MCCRFA) for a leasehold interest in the United Airlines repair facility
MECA -	to account for the accumulation of resources for, and the payment of, costs associated with the Public Safety Communications System Equipment
Sanitary District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Sanitary District
Flood Control District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Flood Control District
Metropolitan Thoroughfare - District	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Metropolitan Thoroughfare District
Park District -	to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs of bond issues benefiting the taxpayers of the Park District
Economic Development District -	to account for accumulation of resources, and payments of long term bonded debt principal, interest, and related costs of debt issued for certain projects with Economic Development bonds proceeds by the city

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Debt Service Funds
December 31, 2006
(In Thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	Total Nonmajor Debt Service Funds
ASSETS									
Equity in pooled cash	\$ 2,502	\$ 1,344	\$ 623	\$ 4,415	\$ 1,984	\$ 2,576	\$ 408	\$ —	\$ 13,852
Cash and investments with fiscal agents	—	—	807	1	4	15	—	3,429	4,256
Accounts receivable	1,055	74	55	—	—	47	4	—	1,235
Accrued interest receivable	5	55	16	159	54	68	15	—	372
Investments	286	2,803	1,302	9,055	4,139	5,329	854	—	23,768
Property taxes receivable	—	990	162	—	—	137	84	—	1,373
Total assets	<u>\$ 3,848</u>	<u>\$ 5,266</u>	<u>\$ 2,965</u>	<u>\$ 13,630</u>	<u>\$ 6,181</u>	<u>\$ 8,172</u>	<u>\$ 1,365</u>	<u>\$ 3,429</u>	<u>\$ 44,856</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Matured bonds payable	\$ 371	\$ 3,200	\$ 2,575	\$ 4,681	\$ 3,894	\$ 6,110	\$ 295	\$ —	\$ 21,126
Matured interest payable	2,381	57	385	2,092	2,199	1,722	828	—	9,664
Accounts payable and other accrued liabilities	5	50	—	171	12	20	8	—	266
Deferred revenue	—	1,064	204	—	—	184	88	—	1,540
Total liabilities	<u>2,757</u>	<u>4,371</u>	<u>3,164</u>	<u>6,944</u>	<u>6,105</u>	<u>8,036</u>	<u>1,219</u>	<u>—</u>	<u>32,596</u>
Fund balances:									
Reserved for debt service	<u>1,091</u>	<u>895</u>	<u>(199)</u>	<u>6,686</u>	<u>76</u>	<u>136</u>	<u>146</u>	<u>3,429</u>	<u>12,260</u>
Total liabilities and fund balances	<u>\$ 3,848</u>	<u>\$ 5,266</u>	<u>\$ 2,965</u>	<u>\$ 13,630</u>	<u>\$ 6,181</u>	<u>\$ 8,172</u>	<u>\$ 1,365</u>	<u>\$ 3,429</u>	<u>\$ 44,856</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds
Year ended December 31, 2006
(In Thousands)

	Civil City	Redevelopment District	MECA	Sanitary District	Flood Control District	Metropolitan Thoroughfare District	Park District	Economic Development District	Total Nonmajor Debt Service Funds
Revenues:									
Property taxes	\$ —	\$ 14,940	\$ 4,747	\$ —	\$ —	\$ 5,061	\$ 196	\$ —	\$ 24,944
Other taxes	1,055	836	481	—	—	513	20	—	2,905
Interest on investments	21	203	97	638	141	232	111	141	1,584
Other revenues	—	—	1,315	765	—	—	—	1,799	3,879
Total revenues	<u>1,076</u>	<u>15,979</u>	<u>6,640</u>	<u>1,403</u>	<u>141</u>	<u>5,806</u>	<u>327</u>	<u>1,940</u>	<u>33,312</u>
Expenditures:									
Redemption of bonds and notes	371	3,200	3,234	4,701	3,894	6,109	295	100	21,904
Interest on bonds and notes	4,771	112	782	4,094	2,740	3,406	1,618	1,487	19,010
Operating lease payments and administration	<u>5</u>	<u>14,292</u>	<u>3,079</u>	<u>10</u>	<u>—</u>	<u>6</u>	<u>5</u>	<u>19</u>	<u>17,416</u>
Total expenditures	<u>5,147</u>	<u>17,604</u>	<u>7,095</u>	<u>8,805</u>	<u>6,634</u>	<u>9,521</u>	<u>1,918</u>	<u>1,606</u>	<u>58,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,071)</u>	<u>(1,625)</u>	<u>(455)</u>	<u>(7,402)</u>	<u>(6,493)</u>	<u>(3,715)</u>	<u>(1,591)</u>	<u>334</u>	<u>(25,018)</u>
Other financing sources and (uses):									
Transfers in	<u>5,129</u>	<u>—</u>	<u>—</u>	<u>6,300</u>	<u>6,515</u>	<u>3,783</u>	<u>800</u>	<u>—</u>	<u>22,527</u>
Total other financing sources and (uses)	<u>5,129</u>	<u>—</u>	<u>—</u>	<u>6,300</u>	<u>6,515</u>	<u>3,783</u>	<u>800</u>	<u>—</u>	<u>22,527</u>
Net change in fund balances	1,058	(1,625)	(455)	(1,102)	22	68	(791)	334	(2,491)
Fund balances at beginning of year	<u>33</u>	<u>2,520</u>	<u>256</u>	<u>7,788</u>	<u>54</u>	<u>68</u>	<u>937</u>	<u>3,095</u>	<u>14,751</u>
Fund balances at end of year	<u>\$ 1,091</u>	<u>\$ 895</u>	<u>\$ (199)</u>	<u>\$ 6,686</u>	<u>\$ 76</u>	<u>\$ 136</u>	<u>\$ 146</u>	<u>\$ 3,429</u>	<u>\$ 12,260</u>

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Civil City		Redevelopment District		MECA	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ —	\$ —	\$ 14,829	\$ 15,776	\$ 5,374	\$ 5,229
Charges for services	—	—	—	—	1,800	1,297
Other operating revenues	11	16	172	169	40	81
Total revenues	11	16	15,001	15,945	7,214	6,607
Expenditures:						
Debt service	418	418	17,604	17,604	7,095	7,095
Total expenditures	418	418	17,604	17,604	7,095	7,095
Excess (deficiency) of revenues over (under) expenditures	(407)	(402)	(2,603)	(1,659)	119	(488)
Other financing sources, net:						
Transfers in	400	400	—	—	—	—
Total other financing sources	400	400	—	—	—	—
Revenues over (under) expenditures and other financing sources (uses)	(7)	(2)	(2,603)	(1,659)	119	(488)
Unreserved fund balances at beginning of year	32	49	2,797	2,552	—	—
Cancellation of purchase orders and other	(1)	(10)	85	—	76	1,521
Unreserved fund balances at end of year	\$ 24	\$ 37	\$ 279	\$ 893	\$ 195	\$ 1,033

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Sanitary District		Flood Control District		Metropolitan Thoroughfare District	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 5,729	\$ 5,574
Charges for services	—	—	—	—	—	—
Other operating revenues	158	166	—	88	55	158
Total revenues	158	166	—	88	5,784	5,732
Expenditures:						
Debt service	8,805	8,805	6,635	6,634	9,521	9,521
Total expenditures	8,805	8,805	6,635	6,634	9,521	9,521
Excess (deficiency) of revenues over (under) expenditures	(8,647)	(8,639)	(6,635)	(6,546)	(3,737)	(3,789)
Other financing sources, net:						
Transfers in	8,300	8,300	4,985	6,515	3,670	3,783
Total other financing sources	8,300	8,300	4,985	6,515	3,670	3,783
Revenues over (under) expenditures and other financing sources (uses)	(347)	(339)	(1,650)	(31)	(67)	(6)
Unreserved fund balances at beginning of year	455	458	—	—	125	47
Cancellation of purchase orders and other	—	119	1,650	31	40	8
Unreserved fund balances at end of year	\$ 108	\$ 238	\$ —	\$ —	\$ 98	\$ 49

(Continued)

CITY OF INDIANAPOLIS
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	<u>Revenue</u>		<u>Park District</u>		<u>Economic Development</u>		<u>Totals</u>	
	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:								
Taxes	\$ 56,073	\$ 49,355	\$ 222	\$ 216	\$ —	\$ —	\$ 82,227	\$ 76,150
Charges for services	336	429	—	—	—	1,798	2,136	3,524
Other operating revenues	600	4,675	11	92	—	141	1,047	5,586
Total revenues	<u>57,009</u>	<u>54,459</u>	<u>233</u>	<u>308</u>	<u>—</u>	<u>1,939</u>	<u>85,410</u>	<u>85,260</u>
Expenditures:								
Debt service	<u>83,493</u>	<u>83,493</u>	<u>1,918</u>	<u>1,918</u>	<u>1,679</u>	<u>1,606</u>	<u>137,168</u>	<u>137,094</u>
Total expenditures	<u>83,493</u>	<u>83,493</u>	<u>1,918</u>	<u>1,918</u>	<u>1,679</u>	<u>1,606</u>	<u>137,168</u>	<u>137,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,484)</u>	<u>(29,034)</u>	<u>(1,685)</u>	<u>(1,610)</u>	<u>(1,679)</u>	<u>333</u>	<u>(51,758)</u>	<u>(51,834)</u>
Other financing sources, net:								
Transfers in	<u>19,602</u>	<u>20,518</u>	<u>800</u>	<u>800</u>	<u>—</u>	<u>—</u>	<u>37,757</u>	<u>40,316</u>
Total other financing sources	<u>19,602</u>	<u>20,518</u>	<u>800</u>	<u>800</u>	<u>—</u>	<u>—</u>	<u>37,757</u>	<u>40,316</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>(6,882)</u>	<u>(8,516)</u>	<u>(885)</u>	<u>(810)</u>	<u>(1,679)</u>	<u>333</u>	<u>(14,001)</u>	<u>(11,518)</u>
Unreserved fund balances at beginning of year	—	—	938	958	—	—	4,347	4,064
Cancellation of purchase orders and other	<u>6,882</u>	<u>8,516</u>	<u>2</u>	<u>1</u>	<u>1,679</u>	<u>(333)</u>	<u>10,413</u>	<u>9,853</u>
Unreserved fund balances at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55</u>	<u>\$ 149</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 759</u>	<u>\$ 2,399</u>

CITY OF INDIANAPOLIS
Debt Service Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Non Departmental	Flood Control District			
Other services and charges		\$ 6,635	\$ 6,634	\$ 1
Total		6,635	6,634	1
Non Departmental	Metropolitan Thoroughfare District			
Other services and charges		9,521	9,521	—
Total		9,521	9,521	—
Non Departmental	Park District			
Other services and charges		1,918	1,918	—
Total		1,918	1,918	—
Non Departmental	MECA			
Other services and charges		7,095	7,095	—
Total		7,095	7,095	—
Non Departmental	Civil City			
Other services and charges		418	418	—
Total		418	418	—
Non Departmental	Redevelopment District			
Other services and charges		17,604	17,604	—
Total		17,604	17,604	—
Non Departmental	Revenue			
Other services and charges		83,493	83,493	—
Total		83,493	83,493	—
Non Departmental	Sanitary District			
Other services and charges		8,805	8,805	—
Total		8,805	8,805	—
Non Departmental	Economic Development			
Other services and charges		1,679	1,606	73
Total		1,679	1,606	73
Total – Debt Service Funds – by Department		\$ 137,168	\$ 137,094	\$ 74

Nonmajor Capital Project Funds

The Capital Projects Funds are used to account for resources designated to construct or acquire general fixed assets. Such resources are derived principally from special district bonds, federal grants and property tax levies.

Redevelopment District:

General - to account for all financial resources related to projects constructed wholly or in part from Redevelopment District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds

Tax Increment - to account for all financial resources related to projects constructed from proceeds of the Redevelopment District Tax Increment bond issues

Economic Development - to account for all financial resources related to projects constructed with Economic Development bonds issued by the City

Metropolitan Thoroughfare - District to account for all financial resources related to projects constructed wholly or in part from Metropolitan Thoroughfare District bond issue proceeds (except tax increment bonds) and any participating federal and state grants, including any required City local matching funds

City Cumulative Capital - Development to account for all resources accumulating from a City-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition and repair of certain facilities and other items of a capital nature

County Cumulative Capital - Development to account for all resources accumulating from a County-wide ad valorem property tax levy to provide for the cost of construction, maintenance, acquisition and repair of certain facilities and other items of a capital nature

Facilities Revenue Bonds - to account for all financial resources related to certain maintenance and repair of City and County facilities

Tax Revenue Note - to account for all financial resources related to purchases of certain vehicles and other equipment from the proceeds of a tax revenue note

MECA - to account for all financial resources related to acquisition of computer hardware and software from proceeds of the Public Safety Communication System and Computer Facilities District bonds

Landmark Building Preservation - to account for all financial resources related to costs of major repairs to certain city properties

Storm Water Bonds - to account for all financial resources related to expenditures for construction of storm water removal infrastructure

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CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2006
(In Thousands)

	<u>Redevelopment District</u>			<u>Metropolitan</u>	<u>City</u>	<u>County</u>
	<u>General</u>	<u>Tax</u>	<u>Economic</u>	<u>Thoroughfare</u>	<u>Cumulative</u>	<u>Cumulative</u>
ASSETS		Increment	Development	District	Capital	Capital
					Development	Development
Equity in pooled cash	\$ 312	\$ 70	\$ —	\$ 1,661	\$ 2,351	\$ 50
Cash and investments with fiscal agents	—	7,579	429	2,386	—	—
Investments	652	144	—	3,467	4,905	106
Accrued interest receivable	11	—	—	66	39	4
Property taxes receivable	—	—	—	—	374	—
Accounts receivable	—	330	—	1,267	380	1,250
Total assets	<u>\$ 975</u>	<u>\$ 8,123</u>	<u>\$ 429</u>	<u>\$ 8,847</u>	<u>\$ 8,049</u>	<u>\$ 1,410</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	\$ —	\$ 280	\$ —	\$ 250	\$ 922	\$ 229
Due to other funds	—	344	—	—	—	—
Deferred revenue	—	—	—	987	754	—
Total liabilities	<u>—</u>	<u>624</u>	<u>—</u>	<u>1,237</u>	<u>1,676</u>	<u>229</u>
Fund balances:						
Reserved for encumbrances	1	1,347	—	441	3,931	394
Unreserved	<u>974</u>	<u>6,152</u>	<u>429</u>	<u>7,169</u>	<u>2,442</u>	<u>787</u>
Total fund balances	<u>975</u>	<u>7,499</u>	<u>429</u>	<u>7,610</u>	<u>6,373</u>	<u>1,181</u>
Total liabilities and fund balances	<u>\$ 975</u>	<u>\$ 8,123</u>	<u>\$ 429</u>	<u>\$ 8,847</u>	<u>\$ 8,049</u>	<u>\$ 1,410</u>

CITY OF INDIANAPOLIS
Combining Balance Sheet – Nonmajor Capital Projects Funds
December 31, 2006
(In Thousands)

	Facilities Revenue Bonds	Tax Revenue Note	MECA	Landmark Building Preservation	Storm Water	Total Nonmajor Capital Projects Funds
ASSETS						
Equity in pooled cash	\$ —	\$ —	\$ 1,589	\$ 176	\$ 9,286	\$ 15,495
Cash and investments with fiscal agents	9,351	—	641	—	116	20,502
Investments	—	—	3,317	367	19,379	32,337
Accrued interest receivable	—	—	—	8	21	149
Property taxes receivable	—	—	—	—	—	374
Accounts receivable	—	2,316	—	—	—	5,543
Total assets	<u>\$ 9,351</u>	<u>\$ 2,316</u>	<u>\$ 5,547</u>	<u>\$ 551</u>	<u>\$ 28,802</u>	<u>\$ 74,400</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 991	\$ 2,316	\$ 1,515	\$ —	\$ 1,223	\$ 7,726
Due to other funds	—	—	—	—	—	344
Deferred revenue	—	—	—	—	—	1,741
Total liabilities	<u>991</u>	<u>2,316</u>	<u>1,515</u>	<u>—</u>	<u>1,223</u>	<u>9,811</u>
Fund balances:						
Reserved for encumbrances	—	—	237	448	5,781	12,580
Unreserved	<u>8,360</u>	<u>—</u>	<u>3,795</u>	<u>103</u>	<u>21,798</u>	<u>52,009</u>
Total fund balances	<u>8,360</u>	<u>—</u>	<u>4,032</u>	<u>551</u>	<u>27,579</u>	<u>64,589</u>
Total liabilities and fund balances	<u>\$ 9,351</u>	<u>\$ 2,316</u>	<u>\$ 5,547</u>	<u>\$ 551</u>	<u>\$ 28,802</u>	<u>\$ 74,400</u>

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds
Year ended December 31, 2006
(In Thousands)

	Redevelopment District		Economic	Metropolitan	City	County
	General	Tax Increment	Development	Thoroughfare District	Cumulative Capital Improvement	Cumulative Capital Improvement
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 14,695	\$ —
Other intergovernmental revenues:						
Federal revenues	—	—	—	1,501	—	7
Other revenues	—	—	—	—	—	2,554
Interest and other operating revenues	124	100	18	454	290	106
Total revenues	124	100	18	1,955	14,985	2,667
Expenditures:						
Current:						
Economic development and assistance	—	—	—	—	—	—
Debt service:						
Redemption of notes	—	—	—	—	3,763	—
Interest on notes	—	185	—	—	147	—
Issuance costs	—	(6)	—	—	—	—
Capital outlay	108	4,612	—	2,245	6,952	5,176
Total expenditures	108	4,791	—	2,245	10,862	5,176
Excess (deficiency) of revenues over (under) expenditures	16	(4,691)	18	(290)	4,123	(2,509)
Other financing sources and (uses):						
Bonds and notes issued	—	8,146	—	—	—	—
Premium on bonds issued	—	—	—	—	—	—
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	(5,493)	—
Total other financing sources and (uses)	—	8,146	—	—	(5,493)	—
Net change in fund balances	16	3,455	18	(290)	(1,370)	(2,509)
Fund balances at beginning of year	959	4,044	411	7,900	7,743	3,690
Fund balances at end of year	\$ 975	\$ 7,499	\$ 429	\$ 7,610	\$ 6,373	\$ 1,181

CITY OF INDIANAPOLIS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds
Year ended December 31, 2006
(In Thousands)

	Facilities Revenue	Tax Revenue Note	MECA	Landmark Building Preservation	Storm Water	Total Nonmajor Capital Projects Funds
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,695
Other intergovernmental revenues:						
Federal revenues	—	—	—	—	—	1,508
Other revenues	—	—	—	—	—	2,554
Interest and other operating revenues	510	—	29	41	150	1,822
Total revenues	510	—	29	41	150	20,579
Expenditures:						
Current:						
Economic development and assistance	—	—	—	—	—	—
Debt service:						
Redemption of notes	—	—	—	—	15,841	19,604
Interest on notes	273	—	—	—	295	900
Issuance costs	394	41	—	—	1,006	1,435
Capital outlay	8,346	2,316	1,675	174	3,159	34,763
Total expenditures	9,013	2,357	1,675	174	20,301	56,702
Excess (deficiency) of revenues over (under) expenditures	(8,503)	(2,357)	(1,646)	(133)	(20,151)	(36,123)
Other financing sources and (uses):						
Bonds and notes issued	16,550	2,357	5,000	—	43,724	75,777
Premium on bonds issued	313	—	—	—	2,181	2,494
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	(5,493)
Total other financing sources and (uses)	16,863	2,357	5,000	—	45,905	72,778
Net change in fund balances	8,360	—	3,354	(133)	25,754	36,655
Fund balances at beginning of year	—	—	678	684	1,825	27,934
Fund balances at end of year	\$ 8,360	\$ —	\$ 4,032	\$ 551	\$ 27,579	\$ 64,589

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balances
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	City Cumulative Capital Improvement		County Cumulative Capital Improvement		Totals	
	Final budget	Actual	Final budget	Actual	Final budget	Actual
Revenues:						
Taxes	\$ 15,135	\$ 14,695	\$ —	\$ —	\$ 15,135	\$ 14,695
Other intergovernmental revenues	—	—	2,500	1,311	2,500	1,311
Interest and other operating revenues	231	267	—	102	231	369
Total revenues	<u>15,366</u>	<u>14,962</u>	<u>2,500</u>	<u>1,413</u>	<u>17,866</u>	<u>16,375</u>
Expenditures:						
Current:						
General government	996	996	—	—	996	996
Public safety	538	422	—	—	538	422
Public works	200	200	—	—	200	200
Cultural and recreation	560	535	—	—	560	535
Urban redevelopment	85	69	—	—	85	69
Economic development	35	34	—	—	35	34
Capital outlays	<u>11,708</u>	<u>10,504</u>	<u>2,500</u>	<u>2,499</u>	<u>14,208</u>	<u>13,003</u>
Total expenditures	<u>14,122</u>	<u>12,760</u>	<u>2,500</u>	<u>2,499</u>	<u>16,622</u>	<u>15,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,244</u>	<u>2,202</u>	<u>—</u>	<u>(1,086)</u>	<u>1,244</u>	<u>1,116</u>
Other financing sources and (uses), net:						
Sale and lease of capital assets	—	10	—	—	—	10
Transfers out	<u>(5,380)</u>	<u>(5,493)</u>	<u>—</u>	<u>—</u>	<u>(5,380)</u>	<u>(5,493)</u>
Total other financing sources and (uses)	<u>(5,380)</u>	<u>(5,483)</u>	<u>—</u>	<u>—</u>	<u>(5,380)</u>	<u>(5,483)</u>
Revenues over (under) expenditures and other financing sources and (uses)	<u>(4,136)</u>	<u>(3,281)</u>	<u>—</u>	<u>(1,086)</u>	<u>(4,136)</u>	<u>(4,367)</u>
Unreserved fund balances at beginning of year	6,919	5,920	355	465	7,274	6,385
Cancellation of purchase orders and other	<u>2,827</u>	<u>390</u>	<u>—</u>	<u>1,404</u>	<u>2,827</u>	<u>1,794</u>
Unreserved fund balances at end of year	<u>\$ 5,610</u>	<u>\$ 3,029</u>	<u>\$ 355</u>	<u>\$ 783</u>	<u>\$ 5,965</u>	<u>\$ 3,812</u>

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Administration				
Office of Finance and Management	City Cumulative Capital Improvement			
Other services and charges		\$ 173	\$ 172	\$ 1
Total – Department of Administration		\$ 173	\$ 172	\$ 1
Department of Metropolitan Development				
Community Development and Financial Services	City Cumulative Capital Improvement			
Other services and charges		\$ 85	\$ 69	\$ 16
Capital outlay		15	10	5
Total – Department of Metropolitan Development		\$ 100	\$ 79	\$ 21
Department of Public Works				
Engineering	County Cumulative Capital Improvement			
Other services and charges		\$ —	\$ —	\$ —
Capital outlay		2,500	2,499	1
Total – Department of Public Works		\$ 2,500	\$ 2,499	\$ 1
Engineering	City Cumulative Capital Improvements			
Other services and charges		\$ 200	\$ 200	\$ —
Capital outlay		2,150	2,150	—
Total		2,350	2,350	—
Indianapolis Fleet Services	City Cumulative Capital Improvements			
Other services and charges		858	858	—
Total		858	858	—
Total – Department of Public Works		\$ 5,708	\$ 5,707	\$ 1

(Continued)

CITY OF INDIANAPOLIS
Annually Budgeted Capital Projects Funds
Schedule of Expenditures by Character – Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

<u>Department and Division</u>	<u>Fund</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Public Safety				
Emergency Management Planning	City Cumulative Capital Improvement			
Capital outlay		\$ 175	\$ 149	\$ 26
Total		<u>175</u>	<u>149</u>	<u>26</u>
Indianapolis Police Department	City Cumulative Capital Improvement			
Capital outlay		2,431	2,142	289
Total		<u>2,431</u>	<u>2,142</u>	<u>289</u>
Indianapolis Fire Department	City Cumulative Capital Improvement			
Other services and charges		538	422	116
Capital outlay		4,647	3,765	882
Total		<u>5,185</u>	<u>4,187</u>	<u>998</u>
Total – Department of Public Safety		\$ <u>7,791</u>	\$ <u>6,478</u>	\$ <u>1,313</u>
Department of Parks and Recreation	City Cumulative Capital Improvement			
Supplies		\$ —	\$ —	\$ —
Other services and charges		560	535	25
Capital outlay		2,290	2,288	2
Total		<u>2,850</u>	<u>2,823</u>	<u>27</u>
Total – Department of Parks and Recreation		\$ <u>2,850</u>	\$ <u>2,823</u>	\$ <u>27</u>
Total – Capital Projects Funds – by Department and Division		\$ <u><u>16,622</u></u>	\$ <u><u>15,259</u></u>	\$ <u><u>1,363</u></u>

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Internal Service Funds

Internal Service Funds are used to account for the accumulation of resources to provide for the financing of certain self-insurance programs for all City departments.

The City maintains Workers' Compensation Self-Insurance, Auto Liability Self-Insurance, and Public Liability Self-Insurance Internal Service Funds.

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CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Net Assets
December 31, 2006
(In Thousands)

	<u>Auto Liability Reserve</u>	<u>Workers' Compensation</u>	<u>Public Liability Self Insurance</u>	<u>Total</u>
ASSETS				
Equity in pooled cash	\$ 1,392	\$ 438	\$ 1,391	\$ 3,221
Cash and investments with fiscal agents	31	88	—	119
Investments	2,896	922	2,901	6,719
Accrued interest receivable	50	21	48	119
Accounts receivable	—	29	35	64
	<u>4,369</u>	<u>1,498</u>	<u>4,375</u>	<u>10,242</u>
LIABILITIES				
Accounts payable and other accrued liabilities	<u>907</u>	<u>1,828</u>	<u>2,586</u>	<u>5,321</u>
Total liabilities	<u>907</u>	<u>1,828</u>	<u>2,586</u>	<u>5,321</u>
NET ASSETS				
Unrestricted	<u>\$ 3,462</u>	<u>\$ (330)</u>	<u>\$ 1,789</u>	<u>\$ 4,921</u>

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended December 31, 2006
(In Thousands)

	<u>Auto Liability Reserve</u>	<u>Workers' Compensation</u>	<u>Public Liability Self Insurance</u>	<u>Total</u>
Operating revenues:				
Charges to other funds	\$ 490	\$ 2,036	\$ 527	\$ 3,053
Operating expenses:				
Administration	49	113	—	162
Claims	169	2,745	1,438	4,352
Total operating expenses	218	2,858	1,438	4,514
Operating income (loss)	272	(822)	(911)	(1,461)
Nonoperating revenue:				
Interest on investments	238	103	240	581
Change in net assets	510	(719)	(671)	(880)
Total net assets – beginning	2,952	389	2,460	5,801
Total net assets – ending	\$ 3,462	\$ (330)	\$ 1,789	\$ 4,921

CITY OF INDIANAPOLIS
Internal Service Funds
Combining Statement of Cash Flows
Year ended December 31, 2006
(In Thousands)

	<u>Auto Liability Reserve</u>	<u>Workers' Compensation</u>	<u>Public Liability Self Insurance</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from users	\$ 490	\$ 2,007	\$ 492	\$ 2,989
Payments for administration	(49)	(113)	—	(162)
Payments for claims	<u>(331)</u>	<u>(3,019)</u>	<u>(555)</u>	<u>(3,905)</u>
Net cash provided by (used in) operating activities	<u>110</u>	<u>(1,125)</u>	<u>(63)</u>	<u>(1,078)</u>
Cash flows from investing activities:				
Sales and maturities of investments	3,793	2,277	3,962	10,032
Investment purchases	(2,896)	(922)	(2,901)	(6,719)
Interest on investments	<u>217</u>	<u>97</u>	<u>192</u>	<u>506</u>
Net (cash provided by) investing activities	<u>1,114</u>	<u>1,452</u>	<u>1,253</u>	<u>3,819</u>
Net (decrease) in cash and cash equivalents	1,224	327	1,190	2,741
Cash and cash equivalents, beginning of year	<u>199</u>	<u>199</u>	<u>201</u>	<u>599</u>
Cash and cash equivalents, end of year	\$ <u><u>1,423</u></u>	\$ <u><u>526</u></u>	\$ <u><u>1,391</u></u>	\$ <u><u>3,340</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 272	\$ (822)	\$ (911)	\$ (1,461)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
Increase in accounts receivable	—	(29)	(35)	(64)
Increase (decrease) in accounts payable	<u>(162)</u>	<u>(274)</u>	<u>883</u>	<u>447</u>
Net cash provided by (used in) operating activities	\$ <u><u>110</u></u>	\$ <u><u>(1,125)</u></u>	\$ <u><u>(63)</u></u>	\$ <u><u>(1,078)</u></u>

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Fiduciary Funds

The Fiduciary Funds are classified into two sub-groupings - Agency Funds and Pension Trust Funds. Funds in this classification are used to account for assets held by the City in a fiduciary capacity. Receipts and expenditures of each fund are governed by terms of trust indentures, statutes, ordinances, etc.

The City maintains the following Fiduciary Funds:

PENSION TRUST FUNDS

Police -	to account for the (1) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Police and Firefighters Pension and Disability Fund (1977 Fund) pension plan, (2) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Fund and elected to convert to the benefit structure of the 1977 Fund and (3) City and police officer contributions to the 1977 Fund
Fire -	to account for the (1) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Police and Firefighters Pension and Disability Fund pension plan, (2) payment of pension benefits to pensioners that participated in the City pension plan prior to the 1977 Fund and elected to convert to the benefit structure of the 1977 Fund and (3) City and firefighter contributions to the 1977 Fund

AGENCY FUNDS

Barrett Law -	to account for property owner assessment receipts held by the City as agent for the repayment of the related contractor Barrett Law bonds
Sanitation 15 Year Law -	to account for property owner assessment receipts held by the City as agent for city approved developer constructed sewer systems Barrett Law projects, with construction costs repaid by the property owners over a period not to exceed 15 years
UAL Personal Property -	to account for amounts received, that in accordance with the related bond indenture, are to be transferred to the debt service for the Indianapolis Airport Authority Special Facility Revenue Bonds of 1995
E-911 Allocation -	to account for assets, obligations and activities of the E-911 dispatch programs
DPS Retiree Health Insurance -	to account for assets, obligations, and activities of certain Police and Firefighter Retiree Health Insurance costs
IPD Confiscated Cash -	to account for assets, obligations, and activities of amounts which have been confiscated pending final court disposition
Other -	to account for all contractor receipts for sanitary Barrett Law project engineering fees held by the City as agent for engineer payment upon project acceptance and for franchise security deposits held by the City as agent for franchised performance

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CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Pension Trust Funds Net Assets
December 31, 2006
(In Thousands)

	Police Pension	Fire Pension	Total
ASSETS			
Equity in pooled cash	\$ 500	\$ 850	\$ 1,350
Investments	3,901	4,250	8,151
Accrued interest receivable	39	35	74
Accounts receivable	8	—	8
Total assets	<u>4,448</u>	<u>5,135</u>	<u>9,583</u>
LIABILITIES			
Accounts payable and other accrued liabilities	<u>759</u>	<u>845</u>	<u>1,604</u>
Total liabilities	<u>759</u>	<u>845</u>	<u>1,604</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 3,689</u>	<u>\$ 4,290</u>	<u>\$ 7,979</u>

CITY OF INDIANAPOLIS
Combining Statement of Changes in Fiduciary Net Assets
Police and Firefighter Pension Trust Funds
Year ended December 31, 2006
(In Thousands)

		Pension Trust Funds		
		Police Pension	Fire Pension	Total
ADDITIONS				
State of Indiana pension subsidy received from the General Fund	\$	18,186	\$ 16,878	\$ 35,064
Interest income and other		30	125	155
		<u>18,216</u>	<u>17,003</u>	<u>35,219</u>
Contributions:				
Employer		8,632	8,821	17,453
Plan members		77	82	159
		<u>8,709</u>	<u>8,903</u>	<u>17,612</u>
Total additions		<u>26,925</u>	<u>25,906</u>	<u>52,831</u>
DEDUCTIONS				
Benefits		<u>25,404</u>	<u>26,021</u>	<u>51,425</u>
Total deductions		<u>25,404</u>	<u>26,021</u>	<u>51,425</u>
Change in plan net assets		1,521	(115)	1,406
Net assets – beginning		<u>2,168</u>	<u>4,405</u>	<u>6,573</u>
Net assets – ending	\$	<u><u>3,689</u></u>	\$ <u><u>4,290</u></u>	\$ <u><u>7,979</u></u>

CITY OF INDIANAPOLIS
Police and Fire Pension Trust Funds
Schedule of Revenues and Expenditures
Budget and Actual – Budgetary Basis
Year ended December 31, 2006
(In Thousands)

	Police Pension			Fire Pension		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes	\$ 4,652	\$ 4,683	\$ 31	\$ 4,634	\$ 4,664	\$ 30
Intergovernmental	19,400	18,485	(915)	16,970	17,178	208
Other	235	48	(187)	100	6,000	5,900
Total revenues	24,287	23,216	(1,071)	21,704	27,842	6,138
Expenditures:						
Personal services	39,878	38,471	1,407	35,116	35,014	102
Other services	2,729	2,729	—	2,000	2,000	—
Total expenditures	42,607	41,200	1,407	37,116	37,014	102
Excess (deficiency) of revenues over (under) expenditures	(18,320)	(17,984)	336	(15,412)	(9,172)	6,240
Other financing sources and (uses):						
Transfers in (out)	20,820	20,777	(43)	15,120	9,281	(5,839)
Revenues over (under) expenditures and other financing sources	\$ 2,500	\$ 2,793	\$ 293	\$ (292)	\$ 109	\$ 401

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Agency Funds Net Assets
December 31, 2006
(In Thousands)

	<u>Barrett Law</u>	<u>Sanitation 15 Year Law</u>	<u>UAL Personal Property</u>	<u>E-911 Allocation</u>	<u>DPS Retiree Health Insurance</u>	<u>IPD Confiscated Cash</u>	<u>Other</u>	<u>Total</u>
ASSETS								
Equity in pooled cash	\$ —	\$ 85	\$ 1,555	\$ 953	\$ 78	\$ 1,375	\$ 218	\$ 4,264
Cash and investments with fiscal agents	—	—	—	—	—	—	14	14
Investments	—	177	3,245	1,988	—	—	454	5,864
Accrued interest receivable	—	14	—	39	5	—	1	59
Accounts receivable	—	—	—	76	—	—	—	76
Total assets	<u>\$ —</u>	<u>\$ 276</u>	<u>\$ 4,800</u>	<u>\$ 3,056</u>	<u>\$ 83</u>	<u>\$ 1,375</u>	<u>\$ 687</u>	<u>\$ 10,277</u>
LIABILITIES								
Accounts payable and other accrued liabilities	<u>\$ —</u>	<u>\$ 276</u>	<u>\$ 4,800</u>	<u>\$ 3,056</u>	<u>\$ 83</u>	<u>\$ 1,375</u>	<u>\$ 687</u>	<u>\$ 10,277</u>
Total liabilities	<u>\$ —</u>	<u>\$ 276</u>	<u>\$ 4,800</u>	<u>\$ 3,056</u>	<u>\$ 83</u>	<u>\$ 1,375</u>	<u>\$ 687</u>	<u>\$ 10,277</u>

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2006
(In Thousands)

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
BARRETT LAW				
Assets:				
Cash and investments	\$ 680	\$ —	\$ 680	\$ —
Accrued interest receivable	5	—	5	—
Total assets	<u>\$ 685</u>	<u>\$ —</u>	<u>\$ 685</u>	<u>\$ —</u>
Liabilities:				
Accounts payable	\$ 685	\$ —	\$ 685	\$ —
Total liabilities	<u>\$ 1,370</u>	<u>\$ —</u>	<u>\$ 1,370</u>	<u>\$ —</u>
SANITATION 15 YEAR LAW FUND				
Assets:				
Cash and investments	\$ 1,115	\$ 52	\$ 905	\$ 262
Accrued interest receivable	8	14	8	14
Total assets	<u>\$ 1,123</u>	<u>\$ 66</u>	<u>\$ 913</u>	<u>\$ 276</u>
Liabilities:				
Accounts payable	\$ 1,123	\$ —	\$ 847	\$ 276
Total liabilities	<u>\$ 1,123</u>	<u>\$ —</u>	<u>\$ 847</u>	<u>\$ 276</u>
UAL PERSONAL PROPERTY				
Assets:				
Cash and investments	\$ 3,339	\$ 1,461	\$ —	\$ 4,800
Total assets	<u>\$ 3,339</u>	<u>\$ 1,461</u>	<u>\$ —</u>	<u>\$ 4,800</u>
Liabilities:				
Accounts payable	\$ 3,339	\$ 1,461	\$ —	\$ 4,800
Total liabilities	<u>\$ 3,339</u>	<u>\$ 1,461</u>	<u>\$ —</u>	<u>\$ 4,800</u>
E – 911 ALLOCATION				
Assets:				
Cash and investments	\$ 2,502	\$ 933	\$ 494	\$ 2,941
Accrued interest receivable	18	39	18	39
Accounts receivable	308	76	308	76
Total assets	<u>\$ 2,828</u>	<u>\$ 1,048</u>	<u>\$ 820</u>	<u>\$ 3,056</u>
Liabilities:				
Accounts payable	\$ 2,828	\$ 722	\$ 494	\$ 3,056
Total liabilities	<u>\$ 2,828</u>	<u>\$ 722</u>	<u>\$ 494</u>	<u>\$ 3,056</u>

CITY OF INDIANAPOLIS
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended December 31, 2006
(In Thousands)

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
DPS RETIREE HEALTH INSURANCE				
Assets:				
Cash and investments	\$ 55	\$ 2,192	\$ 2,169	\$ 78
Accrued interest receivable	5	5	5	5
Total assets	<u>\$ 60</u>	<u>\$ 2,197</u>	<u>\$ 2,174</u>	<u>\$ 83</u>
Liabilities:				
Accounts payable	\$ 60	\$ 3,791	\$ 3,768	\$ 83
Total liabilities	<u>\$ 60</u>	<u>\$ 3,791</u>	<u>\$ 3,768</u>	<u>\$ 83</u>
IPD CONFISCATED CASH				
Assets:				
Cash and investments	\$ 1,495	\$ 2,192	\$ 2,312	\$ 1,375
Total assets	<u>\$ 1,495</u>	<u>\$ 2,192</u>	<u>\$ 2,312</u>	<u>\$ 1,375</u>
Liabilities:				
Accounts payable	\$ 1,495	\$ 2,192	\$ 2,312	\$ 1,375
Total liabilities	<u>\$ 1,495</u>	<u>\$ 2,192</u>	<u>\$ 2,312</u>	<u>\$ 1,375</u>
OTHER				
Assets:				
Cash and investments	\$ 108	\$ 564	\$ —	\$ 672
Cash and investments with fiscal agents	14	—	—	14
Accrued interest receivable	1	1	1	1
Total assets	<u>\$ 123</u>	<u>\$ 565</u>	<u>\$ 1</u>	<u>\$ 687</u>
Liabilities:				
Accounts payable	\$ 123	\$ 564	\$ —	\$ 687
Total liabilities	<u>\$ 123</u>	<u>\$ 564</u>	<u>\$ —</u>	<u>\$ 687</u>
TOTAL – ALL AGENCY FUNDS				
Assets:				
Cash and investments	\$ 9,294	\$ 7,394	\$ 6,560	\$ 10,128
Cash and investments with fiscal agents	14	—	—	14
Accrued interest receivable	37	59	37	59
Accounts receivable	308	76	308	76
Total assets	<u>\$ 9,653</u>	<u>\$ 7,529</u>	<u>\$ 6,905</u>	<u>\$ 10,277</u>
Liabilities:				
Accounts payable	\$ 9,653	\$ 8,730	\$ 8,106	\$ 10,277
Total liabilities	<u>\$ 9,653</u>	<u>\$ 8,730</u>	<u>\$ 8,106</u>	<u>\$ 10,277</u>

Statistical Section

CITY OF INDIANAPOLIS
Net Assets by Component
Schedule 1
Last Two Fiscal Years
(accrual basis of accounting)
(In thousands)

	Fiscal Year	
	2005	2006
Governmental activities:		
Invested in capital assets, net of related debt	\$ 964,135	\$ 968,197
Restricted	122,202	193,243
Unrestricted (deficit)	(273,286)	(366,071)
Total governmental activities net assets	<u>\$ 813,051</u>	<u>\$ 795,369</u>
Business-type activities:		
Invested in capital assets, net of related debt	\$ 86,066	\$ 76,926
Restricted	2,807	443
Unrestricted (deficit)	(20,333)	11,585
Total business-type activities net assets	<u>\$ 68,540</u>	<u>\$ 88,954</u>
Primary government		
Invested in capital assets, net of related debt	\$ 1,050,201	\$ 1,045,123
Restricted	125,009	193,686
Unrestricted (deficit)	(293,619)	(354,486)
Total Primary government net assets	<u>\$ 881,591</u>	<u>\$ 884,323</u>

CITY OF INDIANAPOLIS
Changes in Net Assets, Last Two Fiscal Years

Schedule 2
Last Two Fiscal Years
(accrual basis of accounting)
(In thousands)

	Fiscal Year	
	2005	2006
Expenses		
Governmental activities:		
General government	\$ 43,646	\$ 45,133
Public safety	280,370	281,214
Public works	228,881	229,993
Health and welfare	4,598	4,962
Cultural and recreation	32,892	31,739
Urban redevelopment and housing	38,482	40,837
Economic development and assistance	11,804	14,126
Interest	56,192	63,262
Total governmental activities expenses	<u>696,865</u>	<u>711,266</u>
Business-type activities:		
Waterworks	120,856	119,289
Housing Agency	55,494	51,087
Total business-type activities expenses	<u>176,350</u>	<u>170,376</u>
Total primary government expenses	<u>\$ 873,215</u>	<u>\$ 881,642</u>

(Continued)

CITY OF INDIANAPOLIS
Changes in Net Assets, Last Two Fiscal Years

Schedule 2

Last Two Fiscal Years

(accrual basis of accounting)

(In thousands)

Program Revenues	2005	2006
Governmental activities:		
Charges for service:		
General government	\$ 12,471	\$ 13,672
Public safety	13,388	16,394
Public works	95,148	117,667
Health and welfare	952	864
Cultural and recreation	5,003	5,230
Urban redevelopment and housing	1,378	1,667
Economic development and assistance	1,450	1,033
Operating grants and contributions	113,844	123,417
Capital grants and contributions	93,315	63,466
Total governmental activities program revenues	<u>336,949</u>	<u>\$ 343,410</u>
Business-type activities		
Charges for services:		
Waterworks	\$ 101,466	\$ 97,637
Housing Agency	3,808	4,646
Operating grants and contributions	51,127	51,139
Capital grants and contributions	35,848	24,925
Total business-type activities	<u>192,249</u>	<u>178,347</u>
Total primary government program revenues	<u>\$ 529,198</u>	<u>\$ 521,757</u>
Net (Expenses)/Revenue	2005	2006
Government activities	\$ (359,916)	\$ (367,856)
Business-type activities	15,899	7,971
Total primary government net expenses	<u>\$ (344,017)</u>	<u>\$ (359,885)</u>

(Continued)

CITY OF INDIANAPOLIS
Changes in Net Assets, Last Two Fiscal Years

Schedule 2

Last Two Fiscal Years

(accrual basis of accounting)

(In thousands)

General Revenue and Other Changes in Net Assets	2005	2006
Governmental activities:		
Taxes		
Property tax	\$ 229,238	\$ 221,904
Wheel tax	13,396	12,921
County Option Income tax	45,489	57,452
Other taxes	18,469	17,769
Grants and contributions not restricted by function	6,708	16,945
Investment earnings not restricted by function	8,535	18,099
Miscellaneous	1,214	5,084
Total governmental activities	<u>\$ 323,049</u>	<u>\$ 350,174</u>
Business-type activities		
Investment earnings not restricted by function	\$ 2,125	\$ 5,489
Miscellaneous	151	6,954
Total business-type activities	<u>2,276</u>	<u>12,443</u>
Total primary government	<u>\$ 325,325</u>	<u>\$ 362,617</u>
Change in Net Assets		
Governmental activities	\$ (36,867)	\$ (17,682)
Business-type activities	18,175	20,414
Total primary government	<u>\$ (18,692)</u>	<u>\$ 2,732</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

CITY OF INDIANAPOLIS
Program Revenues by Function/Program
Schedule 3
Last Two Fiscal Years
(accrual basis of accounting)
(In thousands)

	Program Revenues	
	2005	2006
Function/Program		
Governmental activities		
General government	\$ 12,535	\$ 14,154
Public safety	64,480	71,887
Public works	212,890	216,308
Health and welfare	3,106	2,939
Cultural and recreation	7,694	8,775
Urban redevelopment and housing	26,563	26,986
Economic development and assistance	9,681	76,926
Total governmental activities	<u>336,949</u>	<u>417,975</u>
Business-type activities		
Waterworks	134,389	116,908
Housing Agency	57,860	61,439
Total business-type activities	<u>192,249</u>	<u>178,347</u>
Total primary government program revenues	<u>\$ 529,198</u>	<u>\$ 596,322</u>

CITY OF INDIANAPOLIS
Fund Balances, Governmental Funds
Schedule 4
Last Two Fiscal Years
(modified accrual basis of accounting)
(In thousands)

	Fiscal Years	
	2005	2006
General Fund		
Reserved	\$ 92,086	\$ 73,618
Unreserved	125,526	136,643
Total general fund	<u>217,612</u>	<u>210,261</u>
All Other Governmental Funds		
Reserved	152,398	179,519
Unreserved, reported in:		
Special revenue funds	1,558	511
Capital projects funds	19,132	75,784
Permanent fund	336	345
Total all other governmental funds	<u>\$ 173,424</u>	<u>\$ 256,159</u>

CITY OF INDIANAPOLIS
Changes in Fund Balances, Governmental Funds
Schedule 5
Last Two Fiscal Years
(modified accrual basis of accounting)
(In thousands)

	Fiscal Year	
	2005	2006
Revenues		
Taxes	\$ 308,197	\$ 310,178
Licenses and permits	8,319	13,097
Charges for service	109,272	130,946
Intergovernmental Revenues	122,092	131,323
Intragovernmental Revenues	2,962	3,804
Traffic violations and court fees	4,320	4,441
Interest and other operating revenues	17,465	30,737
Total revenues	<u>\$ 572,627</u>	<u>\$ 76,926</u>
Expenditures		
Current:		
General government	\$ 25,694	\$ 24,193
Public safety	251,297	261,140
Public works	116,336	117,032
Health and welfare	4,453	4,778
Cultural and recreation	26,017	25,501
Urban redevelopment and housing	29,827	27,946
Economic development and assistance	7,359	1,773
Capital outlay	82,928	117,918
Debt service:		
Redemption of bonds and notes	64,270	96,412
Interest on bonds and notes	48,032	54,514
Bond and note issuance costs	1,616	2,026
Operating lease payments and administration	19,213	19,054
Total expenditures	<u>\$ 677,042</u>	<u>\$ 752,287</u>
Excess (deficiency) of revenues		
over (under) expenditures	<u>\$ (104,415)</u>	<u>\$ (675,361)</u>

(Continued)

CITY OF INDIANAPOLIS
Changes in Fund Balances, Governmental Funds
Schedule 5
Last Two Fiscal Years
(modified accrual basis of accounting)
(In thousands)

Other Financing Sources and (Uses)

Bonds and notes issued	158,971	199,999
Premium on bonds and notes issued	-	2,691
Sale of capital assets	393	455
Transfers in	44,935	45,313
Transfers out	<u>(44,935)</u>	<u>(45,313)</u>
Total other financing sources (uses)	<u>159,364</u>	<u>203,145</u>
Net change in fund balances	<u>\$ 54,949</u>	<u>\$ (472,216)</u>
Debt services as a percentage of noncapital expenditures	22.4%	27.1%

CITY OF INDIANAPOLIS
Tax Revenues by Source, Governmental Funds
Schedule 6
December 31, 2006
(modified accrual basis)
(In thousands)

Fiscal Year	Property	Local Option Income Tax	Wheel Tax	Other (a)	Total Taxes
2006	\$ 221,904	\$ 57,452	\$ 12,921	\$ 17,769	\$ 310,046
2005	230,073	46,236	13,396	18,492	\$ 308,197

(a) Includes financial institution and other local taxes.

CITY OF INDIANAPOLIS
Assessed Value and Estimated Actual Value of Taxable Property
Schedule 7
December 31, 2006
(In thousands)

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Personal Property</u>	<u>Other</u>	<u>Total Taxable Assessed Value (a)</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value (a)</u>
2006	\$ 20,737,062	\$ 11,877,672	\$ 1,604,481	\$ 7,770,818	\$ 482,842	\$ 42,472,875	3.5964	\$ 42,472,875	100%
2005	20,253,137	12,183,743	1,614,660	7,229,661	508,322	41,789,523	3.4750	41,789,523	100%

Note: Tax exempt property for 2006 of \$2,698,659 represents charitable organizations and other deductions. Government property is generally not assessed.

(a) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

City of Indianapolis
Direct and Overlapping Governments Property Tax Rates (a) (b)
Schedule 8
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Year	City of Indianapolis			Overlapping Rates						Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	County Direct Rates			School District			
				County	Municipal Corporations	Total City County Council Approved	School	State	Other	
2006	0.9057	0.0368	0.9425	0.4131	0.3651	1.6663	1.7172	0.0024	0.0644	4.3928
2005	0.9442	0.0369	0.9811	0.4163	0.3650	1.7345	1.6744	0.0024	0.0637	4.4561

(a) Rate of District 101 (Indianapolis-Center Township), which is the only rate that includes all major services.

(b) Data presented is per the Marion County Auditor's Office.

(na) Debt service millage not broken out in prior years.

CITY OF INDIANAPOLIS
Principal Property Tax Payers
Schedule 9
December 31, 2006

2006 (c)				
Principal Taxpayers		Taxable Assessed Value (a)	Rank	Percentage of Total City Taxable Assessed Value
Eli Lilly and Company	(b)	\$ 914,506	1	2.308%
Southwestern Bell	(b)	391,810	2	0.989%
General Motors	(b)	380,680	3	0.961%
Indianapolis Power and Light		351,076	4	0.886%
Simon Property Group		254,426	5	0.642%
International Truck and Engine	(b)	187,001	6	0.472%
St. Vincent Hospital & Health Care Center, Inc.	(b)	179,332	7	0.453%
Federal Express Corp.		177,927	8	0.449%
Citizens Gas & Coke Utility	(b)	165,806	9	0.418%
Visteon Corporation		164,023	10	0.414%
Duke-Weeks Realty LP	(b)	154,371	11	0.390%
Community Hospitals Foundation Inc.	(b)	132,834	12	0.335%
Dugan Realty, LLC	(b)	125,356	13	0.316%
American United Life Insurance Co.	(b)	117,854	14	0.297%
Duke Financing, LLC	(b)	112,277	15	0.283%
Macquarie Office Monument	(b)	108,650	16	0.274%
Rolls-Royce	(b)	108,650	17	0.274%
Kroger	(b)	105,277	18	0.266%
Target Corporation	(b)	101,917	19	0.257%
Roche Diagnostic Corporation	(b)	94,501	20	0.238%
		<u>\$ 4,328,274</u>		<u>10.92%</u>

(a) Represents the March 1, 2005 valuations for taxes due and payable in 2006 as represented by the taxpayer.

Amounts in thousands.

(b) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office.

(c) Prior years data not available.

CITY OF INDIANAPOLIS
Property Tax Levies and Collections
Schedule 10
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount (c)	Percentage of Levy
2006	\$ 175,485 (a)	\$ 164,651	93.8%	\$ 4,501	\$ 169,152	96.39%
2005	173,583	161,346	93.0%	5,995	167,341	96.40%
2004	163,091	159,523	97.8%	7,502	167,025	102.41%
2003	173,506	172,068	99.2%	6,476	178,544	102.90%
2002	166,351	161,582	97.1%	8,049	169,631	101.97%
2001	168,777	163,786	97.0%	7,093	170,879	101.25%
2000	168,653	163,830 (b)	97.1%	7,538	171,368	101.61%
1999	172,166	162,624	94.5%	7,496	170,120	98.81%
1998	168,951	160,792	95.2%	7,922	168,714	99.86%
1997	158,090	151,944	96.1%	7,361	159,305	100.77%

(a) Taxes levied represents the total city less the tax increment replacement levy.

(b) Beginning in 2000, taxes collected does not include tax incremental finance (TIF) taxes.

(c) Data presented on the cash basis.

CITY OF INDIANAPOLIS
Ratios of Outstanding Debt by Type
Schedule 11
Last Two Fiscal Years
(In thousands, except per capita)

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Serial Bonds	Tax	Net Revenue Bonds	Notes Payable	Capital Leases	Water Works Net Revenue Bonds	Water Works Notes Payable	Housing Agency Capital Leases				
		Increment Bonds										
2006	\$ 320,385	\$ 438,863	\$ 406,626	\$ 47,628	\$ 1,112	\$ 707,586	\$ 651	\$ 1,888	\$ 1,924,739	30.52%	\$ 11,553	
2005	338,642	468,392	249,193	42,648	2,020	701,381	869	2,506	1,805,651	30.25%	11,010	

(a) See Schedule 16 for personal income and population data. These ratios are calculated using personal income and population.

CITY OF INDIANAPOLIS
Ratios of General Bonded Debt Outstanding
Schedule 12
Last Two Fiscal Years
(In thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property			Per Capita	
	Serial Bonds Payable	Total					
2006	\$ 320,385	\$ 320,385	0.754%	(b)	\$	0.40	(a)
2005	338,642	338,642	0.854%	(b)	\$	0.44	(a)

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Population data can be found at Schedule 16.

(b) Property value data can be found at Schedule 7.

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2006
(In Thousands)

Page 1

Direct Debt:	Map Reference	Assessed	Bonding Limit		Bonds
	[See Introduction (g)]	Value (f)	%	Dollar Amount	Outstanding
City of Indianapolis:					
Civil City	2	\$ 37,174,040	0.67%	249,066	100,761
Consolidated County	1	39,884,933	(c)	-	-
Park District	1	39,884,933	(h)	-	28,048
Redevelopment District	2	37,174,040	(h)	-	33,015
Flood Control District	1	39,884,933	0.67%	267,229	19,291
Metropolitan Thoroughfare District	1	39,884,933	1.33%	530,470	59,591
Sanitary District	8	36,517,741	4.00%	1,460,710	71,479
Police Special Service District	5	11,869,772	(b)	-	-
Fire Special Service District	6	10,769,521	(b)	-	-
Solid Waste Collect Spec. Service District	7	37,230,891	(b)	-	-
Solid Waste Disposal District	7	37,230,891	2.00%	744,618	-
Pub Safety Comm and Comp Facilities District	1	39,884,933	0.67%	267,229	8,200
Total City Debt				<u>\$ 3,519,321</u>	<u>\$ 320,385</u>
Overlapping:					
Marion County	1	\$ 39,884,933	0.67%	<u>\$ 267,229</u>	<u>\$ 40,510</u>
Municipal Corporations					
Airport Authority	1	39,884,933	0.67%	267,229	-
Health & Hospital Corporation	1	39,884,933	0.67%	267,229	46,020
Capital Improvement Board	1	39,884,933	0.67%	267,229	-
Indpls-Marion Co. Building Authority	1	39,884,933	(d)	-	33,280
Indianapolis-Marion County Library	4	38,731,741	0.67%	259,503	110,455
Indianapolis Public Transportation Corp.	2	37,688,536	0.67%	252,513	14,140
Total Municipal Corporations				<u>\$ 1,313,703</u>	<u>\$ 203,895</u>
School Districts:					
Beech Grove	9	\$ 481,148	(i)	\$ 42,023	\$ 39,736
Decatur	9	1,112,751	(i)	157,901	7,199
Franklin	9	1,958,226	(i)	201,255	252,770
Indianapolis Public Schools	9	10,325,850	(i)	476,097	31,815
Lawrence	9	4,970,411	(i)	222,499	26,185
Perry	9	3,542,936	(i)	204,248	153,405
Pike	9	4,993,428	(i)	180,019	68,560
Speedway	9	672,044	(i)	13,441	

(continued)

CITY OF INDIANAPOLIS

Page 2

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)

Schedule 13

December 31, 2006

(In Thousands)

	Map Reference	Assessed	Bonding Limit		Bonds
	[See Introduction (g)]	Value (f)	%	Dollar Amount	Outstanding
School Districts (continued):					
Warren	9	\$ 3,286,999	(j)	\$ 212,115	\$ -
Washington	9	5,322,478	(j)	114,181	39,770
Wayne	9	3,218,654	(j)	314,510	281,599
Total School Districts		<u>\$ 39,884,925</u>		<u>\$ 2,138,287</u>	<u>\$ 901,039</u>
Other Cities and Towns:					
Beech Grove	2	\$ 514,496	0.67%	\$ 3,447	\$ 1,585
Lawrence	2	1,467,502	0.67%	9,832	4,880
Southport	2	56,851	0.67%	381	-
Speedway	2	672,044	0.67%	4,503	4,195
Total Towns and Other Cities		<u>\$ 2,710,893</u>		<u>18,163</u>	<u>\$ 10,660</u>
Townships					
Center	3	\$ 5,594,697	0.67%	\$ 37,484	\$ -
Decatur	3	1,114,598	0.67%	7,468	2,850
Franklin	3	2,124,942	0.67%	14,237	2,179
Lawrence	3	5,389,052	0.67%	36,107	-
Perry	3	3,894,591	0.67%	26,094	1,755
Pike	3	4,756,188	0.67%	31,866	1,649
Warren	3	4,268,407	0.67%	28,598	2,416
Washington	3	7,324,941	0.67%	49,077	-
Wayne	3	5,085,319	0.67%	34,072	-
Total Townships		<u>\$ 39,552,735</u>		<u>\$ 265,003</u>	<u>\$ 10,849</u>
Excluded Library Districts					
Beech Grove	4	\$ 481,148	0.67%	\$ 3,224	\$ 3,848
Speedway	4	672,044	0.67%	4,503	-
Total Excluded Cities Library Districts		<u>\$ 1,153,192</u>		<u>\$ 7,726</u>	<u>\$ 3,848</u>
Ben Davis Conservancy District		<u>\$ 366,501</u>	(e)		\$ -
Total Overlapping Debt					<u>\$ 1,170,801</u>
Total Direct and Overlapping Debt					<u>\$ 1,624,966</u>

(continued)

CITY OF INDIANAPOLIS
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (a)
Schedule 13
December 31, 2006
(In Thousands)

- (a) Excludes Revenue Bonds not payable from ad valorem taxes.
- (b) No bonding authority.
- (c) No bonding authority from ad valorem taxes.
- (d) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
- (e) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
- (f) Represents the March 1, 2005 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2006.
- (g) See pages XXI and XXII.
- (h) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
- (i) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

CITY OF INDIANAPOLIS
Computation of Legal Debt Margin (a)
Schedule 14
December 31, 2006
(In Thousands)

	Assessed Value (b)	Debt Limit Percentage	Debt Limit	Bonds Outstanding	Subtotal	Plus Amount Available in Debt Service Fund	Legal Debt Margin	Total Net Debt applicable to the limit as a percentage of debt limit
Civil City	\$ 37,174,040	0.67%	\$ 249,066	100,761	\$ 148,305	\$ 1,091	\$ 149,396	40.02%
Consolidated County	39,884,933	(a)	-	-	-	-	-	-
Park District	39,884,933	(b)	-	28,048	-	146	-	-
Redevelopment District	37,174,040	(b)	-	33,015	-	895	-	-
Flood Control District	39,884,933	0.67%	267,229	19,291	247,938	76	248,014	7.19%
Metropolitan Thoroughfare District	39,884,933	1.33%	530,470	59,591	470,879	136	471,015	11.21%
Sanitary District	36,517,741	4.00%	1,460,710	71,479	1,389,231	6,686	1,395,917	4.44%
Police Special Service District	11,869,772	(c)	-	-	-	-	-	-
Fire Special Service District	10,769,521	(c)	-	-	-	-	-	-
Solid Waste Collection Special Service District	37,230,891	(c)	-	-	-	-	-	-
Solid Waste Disposal District	37,230,891	2.00%	744,618	-	744,618	-	744,618	0.00%
Public Safety Communications and Computer Facilities District	39,884,933	0.67%	267,229	8,200	259,029	-	259,029	3.07%

(a) No bonding authority payable from ad valorem taxes.

(b) There is no statutory constitutional debt limitation applicable to the Park and Redevelopment Districts.

(c) No bonding authority.

CITY OF INDIANAPOLIS

Pledged-Revenue Coverage

Schedule 15

Last Two Years

(In thousands)

Sanitary Bond

Fiscal Year	Gross Revenue (a)	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	\$ 81,693	\$ 47,797	\$ 33,896	\$ 9,444	\$ 7,112	2.05
2005	67,462	47,112	20,350	6,754	5,757	1.63

Water Revenue Bonds

Fiscal Year	Gross Revenue (b)	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	\$ 103,821	\$ 70,489	\$ 33,332	\$ 1,680	\$ 28,698	1.10
2005	103,480	65,016	38,464	1,240	33,464	1.11

Wheel Tax Bonds

Fiscal Year	Wheel Tax Revenue (c)	Debt Service		Coverage
		Principal	Interest	
2006	\$ 15,866	\$ 5,005	\$ 1,701	2.37
2005	14,406	4,775	1,913	2.15

Redevelopment Revenue Bonds

City Cumulative Funds (d)	Debt Service		Coverage
	Principal	Interest	
\$ 556	\$ 400	\$ 101	1.11
520	390	107	1.05

Property Tax Increment Bond

Tax Increment Revenues (e)	Debt Service		Coverage
	Principal	Interest	
\$ 47,348	\$ 36,139	\$ 22,923	0.80
56,932	18,697	21,278	1.42

MECA Bond

Fiscal Year	E-911 Fees (f)	Debt Service		Coverage
		Principal	Interest	
2006	\$ 1,368	\$ 1,330	\$ 367	0.81
2005	1,673	1,280	413	0.99

Economic Development Bond

Parking Fees (g)	Debt Service		Coverage
	Principal	Interest	
\$ 1,940	\$ 100	\$ 1,487	1.22
1,699	-	1,309	1.30

Golf Bonds

Golf Course Revenue (h)	Debt Service		Coverage
	Principal	Interest	
\$ 405	\$ 175	\$ 100	1.47
320	160	104	1.21

- (a) Sewer user fees
- (b) Water sales
- (c) Wheel taxes on vehicles
- (d) City cumulative capital development fund revenue transfers
- (e) Property tax increment revenues collected in TIF districts
- (f) E-911 fees collected from telephone companies
- (g) Fees from parking garage
- (h) Golf fees from specific golf courses

CITY OF INDIANAPOLIS
Demographic and Economic Statistics
Schedule 16
Last Two Fiscal Years

Calendar Year	Population		Personal Income (thousands of dollars)		Per Capita Personal Income		Median Age		Education Level in Years of Schooling		School Enrollment		Unemployment Rate	
2006	795,484	(f)	63,058	(b)	37,849	(b)	35.90	(c)	na		137,757	(d)	4.40%	(e)
2005	765,310	(a)	59,683	(b)	36,391	(b)	34.80	(c)	na		135,705	(d)	4.80%	(e)

(a) US Census Bureau

(b) Bureau of Economic Analysis

(c) Demographics USA

(d) Data presented is per the Indiana Department of Public Instruction for Marion County, all districts.

(e) Department of Labor

(f) Population is an estimate from the US Census Bureau at July 1, 2006.

(na) Data is not available

CITY OF INDIANAPOLIS**Principal Employers**

Schedule 17

December 31, 2006

Employer	2006 (b)		
	Employees	Rank	Percentage of Total City Employment (a)
Eli Lilly and Company	14,000	1	3.12%
Clarian Health Partners, Inc	7,503	2	1.67%
Community Health Network	7,500	3	1.67%
IUPUI	7,066	4	1.57%
FedEX	6,311	5	1.41%
St. Vincent Hospitals & Health Service, Inc.	6,000	6	1.34%
Allison Transmission/Div of GMC	4,000	7	0.89%
Rolls-Royce	4,000	8	0.89%
AT&T	3,500	9	0.78%
WellPoint Inc.	3,000	10	0.67%

(a) Percentage of total city employment is calculated by using total Employed Labor Force 449,005, which can be found at www.stats.indiana.edu.

(b) Prior years data not available.

CITY OF INDIANAPOLIS
Full-time-Equivalent City Government Employees by Function/Program
Schedule 18
December 31, 2006

	<u>2006</u>
General Government	250
Protection of People	
Police Department	1,465
Fire Department	792
Other (Civilian)	64
Public Works	647
Parks and Recreation	450
Redevelopment	<u>218</u>
Total Full -Time City employees	3,886

Note: A full time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

CITY OF INDIANAPOLIS
Operating Indicators by Function/Program
Schedule 19
December 31, 2006

<u>Function/Program</u>	<u>2006</u>
General government	
Building permits issued	48,858
Building inspections conducted	65,314
Households assisted with entitlement grants	3,767
Police	
Physical arrests	37,740
Parking violations	22,335
Traffic violations	42,278
Fire	
Emergency responses	68,240
Dispatched fire runs	52,948
Inspections	2,155
Refuse collection	
Refuse collected (tons per day)	816
Leafs collected (tons per year)	10,341
Other public works	
Street resurfacing (miles)	99
Potholes work orders completed (a)	13,246
Parks and recreation	
Number of facility and park inspection	758
Community park and facility attendance	5,238,625
Water	
Service repairs	457
Water main repairs	407
Average daily consumption (millions of gallons)	139
Total system pumpage (millions of gallons)	50,633
Wastewater	
Average daily sewage treatment	564,384

(a) Work order can consist of one pothole or multiple potholes.

CITY OF INDIANAPOLIS
Capital Asset Statistics by Function/Program
Schedule 20
December 31, 2006

Function/Program	2006
Public Safety	
Police stations	5
Police vehicles and other rolling stock	1,778
Fire stations	26
Fire vehicles and other rolling stock	178
Emergency management vehicles and other rolling stock	11
Animal control vehicles and other rolling stock	28
Other public works	
Streets (miles)	3,161
Sidewalks (miles)	2,702
Bridges	512
Traffic signal installations	1,124
Miles of sanitary sewers	3,086
Miles of storm sewers and drainage	1,478
Public works vehicle and other rolling stock	538
Wastewater treatment capacity (million gallons per day)	150
Culture and Receptions	
Parks	192
Parks-acreage	11,018
Playgrounds	131
Golf Courses	13
Swimming pools-outdoors	16
Swimming pools-indoors	6
Recreational centers	25
Waterworks	
Treatment Plants	10
Pumping stations	18
Water mains (miles)	4,240
Fire hydrants	38,868
Water storage tanks	17
Storage capacity (millions of gallons)	78,960
Waterworks vehicles and other rolling stock	214

Sources: Various City Department Reports.



**CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis–Marion County)**

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2006

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit Of The Consolidated
City Of Indianapolis–Marion County)

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2006

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CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2006

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture:					
Indiana State Department of Education	N/A	Summer Food Service Program for Children	10.559	\$ —	324,250
Total U.S. Department of Agriculture				<u>—</u>	<u>324,250</u>
U.S. Department of Housing and Urban Development:					
		Homeownership Zone Grant	14.179	—	2,675
		Multifamily Property Disposition	14.199	—	3,414,315
		Community Development Block Grants / Entitlement Grants	14.218	6,309,015	11,018,590
		Emergency Shelter Grants Program	14.231	316,756	363,771
		Supportive Housing Program	14.235	2,316,797	2,353,068
		Shelter Plus Care	14.238	668,880	928,099
		Home Investment Partnerships Program	14.239	3,497,905	3,873,501
		Housing Opportunities for Persons with AIDS	14.241	801,428	833,331
		Economic Development Block Grants/Brownfields Economic Development Initiative	14.246	74,259	74,259
		Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	—	25,790
Total U.S. Department of Housing and Urban Development				<u>13,985,040</u>	<u>22,887,399</u>
U.S. Fish and Wild Life Service:					
		North American Wetlands Conservation Fund	15.623	—	96,046
		Historic Preservation Fund Grants-In-Aid	15.904	—	30,000
Total U.S. Fish and Wild Life Service				<u>—</u>	<u>126,046</u>
U.S. Department of Justice:					
		Federal Equitable Share Law Enforcement	16.XXX	—	413,671
		DEA Overtime	16.XXX	—	57,847
		FBI Overtime	16.XXX	—	44,807
		Safe Streets Gang Initiative	16.XXX	—	83,856
		Services for Trafficking Victims	16.320	64,611	97,430

(Continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2006

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
Marion County Superior Court	N/A	Legal Assistance to Victims	16.524	\$ —	39,390
Indiana Criminal Justice Agency	05JF006 and 2005-JF-FX-0020	Juvenile Justice and Delinquency Prevention—Allocation to States	16.540	7,500	7,500
Indiana State Police	2003 MCCXK002	Missing Children's Assistance	16.543	—	276
		Gang-Free Schools and Communities-Community-Based Gang Intervention	16.544	—	84,850
Indiana Criminal Justice Agency	05VA158, 04VA160, 05VA143, 06VA132, 5ST308, 05VA083, and 06VA096	Crime Victim Assistance	16.575	105,663	105,988
Indiana Criminal Justice Agency	02-DB-053, 04-DB-0949, 02-DB-060, 03-DB-072, 03-DB-009, and 04-DB-019	Edward Byrne Memorial Formula Grant Program	16.579	2,332	355,720
Marion County Justice Agency	N/A	Edward Byrne Memorial Formula Grant Program	16.579	—	97,663
		Total 16.579		2,332	453,383
Indiana Criminal Justice Agency	04ST004, 05ST059, 06ST056, and 06ST041	Violence Against Women Formula Grants	16.588	45,770	85,264
		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	364,878	452,716
		Local Law Enforcement Block Grant Program	16.592	149,745	646,278
		Community Capacity Development Office	16.595	185,429	260,615
		Bulletproof Vest Partnership Program	16.607	—	17,275
Indiana Criminal Justice Agency	N/A	Community Prosecution and Project Safe Neighborhoods	16.609	—	32,031
Marion County Justice Agency	N/A	Community Prosecution and Project Safe Neighborhoods	16.609	—	97,061
		Total 16.609		—	129,092
		Gang Resistance Education and Training	16.737	—	16,700
Indiana Criminal Justice Agency	05-DJ-017	Edward Byrne Memorial Justice Assistance Grant Program	16.738	42,113	907,929
		Edward Byrne Memorial Justice Assistance Grant Program	16.738	—	43,899
		Total 16.738		42,113	951,828
Total U.S. Department of Justice				968,041	3,948,766

(Continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2006

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
National Highway Traffic Safety Administration					
Indiana Department of Transportation	N/A	Highway Planning and Construction	20.205	\$ —	3,765,968
Indiana Department of Transportation	N/A	Federal Transit—Capital Investment Grants	20.500	—	100,160
<i>Highway Planning and Construction Cluster:</i>					
Indiana Criminal Justice Agency	PT-06-04-06-01 and PT-06-04-07-42	State and Community Highway Safety	20.600	—	96,536
Indiana Criminal Justice Agency	J8-2006-04-04-01	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	—	260,545
				—	357,081
Total National Highway Traffic Safety Administration				—	4,223,209
U.S. Department of Treasury					
		FBI Customs Joint Operations	21.XXX	—	79,666
		ATF Joint Operations	21.XXX	—	44,652
		Firearms Interdiction Teams	21.XXX	—	61,110
Total U.S. Department of Treasury				—	185,428
Environmental Protection Agency					
Indiana Department of Environmental Management	305-05-3	Air Pollution Control Program Support	66.001	—	551,552
		Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	—	63,480
		Brownfields Assessment and Cleanup Cooperative Agreements	66.818	—	16,826
Total Environmental Protection Agency				—	631,858
U.S. Department of Education					
Indianapolis Public Schools	N/A	Twenty-First Century Community Learning Centers	84.287	—	258,145
Indianapolis Public Schools	N/A	National Institute on Early Childhood Development and Education	84.307	—	20,540
Total U.S. Department of Education				—	278,685

(Continued)

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated City of Indianapolis-Marion County)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2006

Federal grantor/pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
Department of Homeland Security					
<i>Homeland Security Grant Program Cluster:</i>					
U.S. Department of Justice:					
Indiana Department of Homeland Security	DHS FY03 PT 01, 02, 03	State Homeland Security Grant Program - FFY 2003 Funding	16.007	\$ —	18,346
Department of Homeland Security:					
Indiana Department of Homeland Security	C44P-7-031	State Domestic Preparedness Equipment Support Program - FFY 2003 Funding	97.004	—	373,811
Indiana Department of Homeland Security	C44P-7-122	State Homeland Security Program (SHSP) - FY 2004 Funding	97.004	—	11,298
Indiana Department of Homeland Security	C44P-7-474	Law Enforcement Terrorism Prevention Program (LETPP) - FFY 2004 Funding	97.004	—	593,483
Indiana Department of Homeland Security	C44P-6-007	Citizen Corps - FFY 2005 Funding	97.067	—	9,317
Indiana Department of Homeland Security	C44P-7-022 and C44P-5-240	Homeland Security Grant Program - FFY 2005 Funding	97.067	—	1,956,425
		Metropolitan Medical Response System - FFY 2004 Funding	97.071	12,887	12,887
<i>Total Homeland Security Grant Program Cluster</i>				<u>12,887</u>	<u>2,975,567</u>
Indiana Department of Homeland Security	N/A	Urban Areas Security Initiative - FFY 2004 Funding	97.008	1,727,793	3,829,630
		National Urban Search and Rescue (US&R) Response System	97.025	465,699	1,437,149
Indiana Department of Natural Resources	N/A	Flood Mitigation Assistance	97.029	—	50,000
Indiana Department of Fire and Building Services	FEMA 3197 EM	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	33,625	33,625
Indiana Department of Homeland Security	N/A	Pre-Disaster Mitigation	97.047	—	10,400
State Emergency Management Agency	N/A	Community Emergency Response Team	97.054	—	3,285
Office of Community Oriented Policing Services	2003INWX0006	Interoperable Communications Equipment	97.055	—	269,850
Indiana Department of Homeland Security	ODP-BZZ or EDS#C44P-7-009	Buffer Zone Protection Plan (BZPP)	97.078	—	35,202
Total Department of Homeland Security				<u>2,240,004</u>	<u>8,644,708</u>
Total Expenditures of Federal Awards				<u>\$ 17,193,085</u>	<u>41,250,349</u>

N/A Pass-through grantor number not available

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis—Marion County)

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2006

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal awards programs received by City of Indianapolis, Indiana (City), a component unit of the Consolidated City of Indianapolis—Marion County. The City's reporting entity is defined in note 1 to the City's financial statements. The Schedule of Expenditures of Federal Awards does not include federal awards administered by the Indianapolis Housing Agency, which prepares its own Schedule of Expenditures of Federal Awards. The City's federal awards are defined as being those administered directly by the City.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared on an accrual basis of accounting as permitted by the Office of Management and Budget Circular A-133 and in conformity with U.S. generally accepted accounting principles.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards for the City administered programs agree or reconcile with the amounts reported in the related federal financial reports.



KPMG LLP
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Indianapolis, IN 46204-2452

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Mr. Robert J. Clifford
Controller and the Audit Committee
City of Indianapolis, Indiana:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Indianapolis, Indiana (the City), a component unit of the Consolidated City of Indianapolis–Marion County, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Indianapolis Housing Agency as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the

deficiencies described in the accompanying schedule of findings and questioned costs as items 06-01 through 06-13 to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01 through 06-10 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated September 30, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Indianapolis, Indiana
September 30, 2007



KPMG LLP
2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Mr. David Reynolds
Controller and the Audit Committee
City of Indianapolis, Indiana:

Compliance

We have audited the compliance of the City of Indianapolis, Indiana (the City), a component unit of the Consolidated City of Indianapolis–Marion County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Indianapolis Housing Agency (the Agency), which is not included on the City's schedule of expenditures of federal awards during the year ended December 31, 2006. Our auditing procedures, described below, did not include the federal awards of the Agency because the Agency engaged other auditors to perform an audit in accordance with the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.



As described in item 06-28 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the City with the Home Investment Partnerships Program regarding matching, level of effort, earmarking, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. As described in item 06-26 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding special tests and provisions that is applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of the Home Investment Partnerships Program regarding matching, level of effort, earmarking and, in our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Home Investment Partnerships Program for the year ended December 31, 2006. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-16, 06-24, and 06-29.

As described in items 06-19 and 06-20 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirement regarding equipment and real property management that is applicable to its Homeland Security Grant Program Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Homeland Security Grant Program Cluster for the year ended December 31, 2006. However, the results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-23.

As described in items 06-21 and 06-22 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding equipment and real property management and subrecipient monitoring that are applicable to its Urban Areas Security Initiative program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to the Urban Areas Security Initiative program for the year ended December 31, 2006. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-16 and 06-23.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its Multifamily Property Disposition program, Community Development Block Grants/Entitlement Grants, Supportive Housing Program, and Highway Planning and Construction program for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-14, 06-15, 06-16, and 06-17.



Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-14 through 06-29 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 06-18 through 06-22 and 06-24 through 06-28 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2006, and have issued our report thereon dated September 30, 2007. Our report on the basic financial statements was modified because the financial statements of the Agency were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.



This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Indianapolis, Indiana
April 17, 2008 except as to paragraph twelve,
which is as of September 30, 2007

CITY OF INDIANAPOLIS, INDIANA
(A Component Unit of the Consolidated
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Schedule of Findings and Questioned Costs

For the year ended December 31, 2006

(1) Summary of Auditors Results

(a) The type of report issued on the basic financial statements:	Unqualified Opinions
(b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements:	Yes
Material weaknesses:	Yes
(c) Noncompliance which is material to the basic financial statements:	No
(d) Significant deficiencies in internal control over major programs:	Yes
Material weaknesses:	Yes
(e) The type of report issued on compliance for major programs:	
• Multifamily Property Disposition (CFDA No. 14.199)	Unqualified Opinion
• Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)	Unqualified Opinion
• Supportive Housing Program (CFDA No. 14.235)	Unqualified Opinion
• Home Investment Partnerships Program (CFDA No. 14.239)	Qualified Opinion
• Highway Planning and Construction (CFDA No. 20.205)	Unqualified Opinion
• Urban Areas Security Initiative (CFDA No. 97.008)	Qualified Opinion
• Homeland Security Grant Program Cluster (CFDA Nos. 16.007/97.004/97.067/97.071)	Qualified Opinion
(f) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133:	Yes
(g) Major programs:	
• Multifamily Property Disposition, U.S. Department of Housing and Urban Development (CFDA No. 14.199)	
• Community Development Block Grants/Entitlement Grants, U.S. Department of Housing and Urban Development (CFDA No. 14.218)	

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Schedule of Findings and Questioned Costs

For the year ended December 31, 2006

- Supportive Housing Program, U.S. Department of Housing and Urban Development (CFDA No. 14.235)
- Home Investment Partnerships Program, U.S. Department of Housing and Urban Development (CFDA No. 14.239)
- Highway Planning and Construction, National Highway Traffic Safety Administration passed through Indiana Department of Transportation (CFDA No. 20.205)
- Urban Areas Security Initiative, Department of Homeland Security passed through the Indiana Department of Homeland Security (CFDA No. 97.008)
- Homeland Security Grant Program Cluster, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security (CFDA No. 16.007/97.004/97.067/97.071)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,237,510**

(i) Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

06-01 Management Review and Supervision over Financial Reporting Process – Material Weakness
Comment and Recommendation

The City's Office of Finance and Management (OFM) is primarily responsible for the financial reporting process. Throughout the year, the accounting entries for the City are typically recorded on a cash basis. At fiscal year end, the OFM commences their financial reporting process whereby the cash basis financial amounts are converted to the modified accrual basis of accounting for the fund financial statements by recording amounts for accounts receivable and payable, appropriately stating debt expenditure amounts, and making other various accounting entries. A manual conversion process that occurs outside of the financial accounting system is then utilized to convert the fund financial statements to the government-wide financial statements. During the current year, as part of our audit procedures, we identified a significant number of errors in the accounting entries made by the City during these conversion processes.

We recommend the City review individual responsibilities for the year-end financial reporting process to evaluate the appropriateness of the workload distribution. Additional internal controls should be implemented to ensure that management review is occurring for tasks/financial reporting areas that are more complex or that have resulted in audit differences in prior years (see separate findings listed below).

CITY OF INDIANAPOLIS, INDIANA
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Schedule of Findings and Questioned Costs

For the year ended December 31, 2006

Views of Responsible Officials

The City has added additional staff to address this issue for the 2007 financial statements. This should allow for more internal review of the audit tasks.

06-02 Recording of Debt Transactions – Material Weakness

Comment and Recommendation

The City records debt transactions, such as interest expenditures, principal repayments, and debt issuance costs, throughout the year in their financial accounting system, FAMIS, as cash payments are made. At year end, the City also records accounting entries for matured amounts (i.e. principal amounts due in January of the subsequent year) so that they are appropriately reflected in the financial statements. Additionally, at year end, the City prepares a rollforward of all outstanding debt activity from the beginning of the year to the end of the year and utilizes the amounts on the rollforward to record the accounting entries for the government-wide financial statements. The City did not perform adequate and timely reconciliations of the amounts in the rollforward to the amounts recorded in the fund financial statements and thus numerous audit adjustments were required to ensure accuracy in financial reporting. Significant audit adjustments were also required to appropriately record refunding debt transactions in one of the City's proprietary funds.

We recommend management implement reconciliation procedures as part of the year end financial reporting process to ensure that debt transactions are recorded properly in the government-wide financial statements. Also, the City should ensure that all accounting entries related to the issuance of new debt are recorded during the year as the debt is issued, which will allow for timely management review of these accounting entries. Overall, an additional level of management review of the year-end debt activity entries and balances should be implemented to improve the City's identification of any errors within the financial statements.

Views of Responsible Officials

Part of the reason for the entries being made during the audit process was a communication problem with the Indianapolis Bond Bank, which provides the City the details of the debt issuance. The City continues to work with the Indianapolis Bond Bank to improve that communication. The City intends to have the entries properly recorded for the 2007 financial statements.

06-03 Recording of Accounts Receivable – Material Weakness

Comment and Recommendation

The City records accounts receivable amounts at year end primarily by reviewing the subsequent year cash receipts and determining the propriety of their inclusion or exclusion in the year-end accounts receivable balance. During our testing of these amounts, we determined that there were a significant number of transactions that were not properly categorized in the correct fiscal year and thus were either

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Schedule of Findings and Questioned Costs

For the year ended December 31, 2006

not appropriately accrued as accounts receivable or inappropriately accrued. The identification of these amounts is primarily determined by one individual with no secondary review or effective management oversight occurring. Several audit adjustments were also needed to ensure that Waterworks' accounts receivable were appropriately stated. These entries are also made by one individual with no management oversight or review occurring.

We recommend the City implement a management oversight review of the accounts receivable process, which will provide an additional internal control over the recording of these amounts.

Views of Responsible Officials

The City has implemented a management oversight review of the accounts receivable process through additional staffing, which will provide an additional internal control over the recording of this audit task.

06-04 Deferred Revenue in the Fund Financial Statements – Material Weakness

Comment and Recommendation

As part of the year-end process, the City utilizes to record accounts receivable, a determination is also made as to whether the amounts were received within the City's availability period and thus are susceptible to revenue recognition under the modified, accrual basis of accounting in the fund financial statements. For amounts recorded as accounts receivable, but which are received outside of the City's availability period, the City records deferred revenue in the fund financial statements. Our audit testwork, identified many transactions that were not properly categorized and thus were improperly recognized as revenue.

We recommend the City implement a management oversight review of the deferred revenue recording process that will provide an additional internal control over the recording of these amounts. This review should be performed in conjunction with the management review of the accounts receivable recording process.

Views of Responsible Officials

The City has implemented a management oversight review of the accounts receivable process through additional staffing that will provide an additional internal control over the recording of this audit task.

06-05 Contributed Infrastructure and Redevelopment Properties – Material Weakness

Comment and Recommendation

The City has a significant number of infrastructure projects that are partially constructed with the City's funds and partially constructed with federal dollars received by the State of Indiana. The OFM relies on the reporting of these completed projects from the Department of Public Works. Upon completion of the projects, the costs that the City had recorded in construction in progress and that represent the City's

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cash outlays for the project are transferred to completed infrastructure and a contributed capital contribution is recognized in the government-wide financial statements for the federal funding provided by the state. During our testwork on capital assets, we identified several projects that were completed but not reported to the OFM on a timely basis and thus the contributed capital contributions were not recorded in the financial statements.

The City's Department of Metropolitan Development purchases redevelopment properties that are used for economic development initiatives. These properties are often purchased and then subsequently sold to developers to accomplish the City's objectives. In the current year, City management conducted a review of these properties and determined that there were a significant number of properties that the City no longer owned, but which had not been removed from the property records. Other properties were identified for which the City was not certain as to their ownership and which remain on the property records until the ownership can be determined. This situation primarily occurs when the City purchases a large block of properties that are subsequently split and sold off in smaller parcels. For these situations, the City does not have an effective process to determine which parcels of property have been sold and which remain as the City's property.

We recommend the City undertake a review of its policies and procedures for recording contributed infrastructure projects and for the accounting of redevelopment properties. Due to the unique nature of these transactions and the errors identified in the current year, the City should implement additional controls to ensure that these types of assets are properly recorded and disposed of on a timely basis. The involvement of the Department of Public Works and the Department of Metropolitan Development in this process are critical as the information to record these transactions originates in these departments.

Views of Responsible Officials

The City agrees that additional controls should be implemented to ensure that completed infrastructure projects and redevelopment property disposals are recorded on a timely basis. Policies and procedures will be reviewed with management of the departments involved to enhance current procedures and strengthen internal control so transactions occur on a timelier basis.

06-06 Capital Outlay Expenditures – Material Weakness

Comment and Recommendation

The City performs a reconciliation of capital outlay expenditures to capitalized assets at year end; however, no review is performed of the other expenditure classifications to ensure that these do not include any items that should be capitalized. In the current year, we identified a \$2 million capital asset that had not been properly capitalized.

We recommend the City implement additional internal controls to review expenditure classifications, in addition to capital outlay, to determine whether these include expenditures that should be capitalized within the government-wide financial statements.

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Views of Responsible Officials

The City agrees that additional controls should be implemented to identify all capital expenditures. Policies and procedures will be reviewed with management involved to enhance current procedures and strengthen internal control for accuracy and transactions to occur on a timelier basis.

06-07 Self-Insurance Liabilities – Material Weakness

Comment and Recommendation

The City records a liability for its estimate of the incurred but not paid and/or reported amount for worker's compensation and auto liability claims as the City is self-insured for both risks. Management estimates this amount primarily by utilizing prior historical experience. However, no independent assessment is made as to the adequacy of the reserve recorded in prior years to assess the reasonableness of the City's methodology on an ongoing basis. During the current year, based upon our audit procedures, it was determined that the reserve for both of these self-insured risks was overstated and an appropriate audit adjustment was recorded.

For public liability self-insurance risks, the OFM, in conjunction with the City's Office of Corporation Counsel, estimates a liability for outstanding legal cases, which they believe are susceptible to accrual under Financial Accounting Standards Board Statement No. 5, *Accounting for Contingencies*. This process occurs during the financial reporting process (i.e. after year end), but usually a significant amount of time prior to the issuance of the financial statements. No process is in place for City management to monitor or update this liability after this initial assessment through the issuance of the financial statements. Several audit adjustments were required to properly state this liability for financial reporting purposes to adjust for settlements or further developments in outstanding cases.

We recommend the City evaluate their process for estimating year-end liability amounts for all self-insured risks. Additional procedures should be designed and implemented for worker's compensation and auto liability risks to regularly assess the adequacy of the City's methodology by performing a look-back analysis of the adequacy of prior years' liability amounts. Adjustments to the City's methodology can then be made to derive a more accurate estimate. For all risk, especially for public liability risks, the City should implement procedures to ensure that liabilities that are estimated early in the financial reporting process are updated to reflect events and changes in circumstances occurring up to the issuance of the financial statements.

Views of Responsible Officials

The methodology of these calculations has been in place for many years. The City is considering having an outside evaluation of our risk management in 2008. The City will try to refine our process for these calculations for the 2007 financial statements.

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06-08 Long-Term Notes Receivable Balances – Material Weakness

Comment and Recommendation

The City often enters into agreements with other entities whereby a long-term note receivable is executed for the achievement of the City's economic development initiatives. A majority of the time, these notes receivable are fully reserved by the City as repayment is doubtful. In the current year, the City entered into several of these agreements and a long-term note receivable was recorded for the entire agreement amount even though the funds had not yet been disbursed by the City. Additionally, it was determined that some of the long-term notes receivable, which had been executed in prior years, were not collectible and thus they were written off. For these notes receivable, we determined the City was not performing a regular review to confirm the ownership of the underlying assets used as collateral. For some receivables, the underlying property had been sold without proper notification to the City and thus the City had no collateralized means to collect the receivable.

We recommend the City ensure that long-term notes receivable are recorded accurately. A review of the recognition principles for these items should be reviewed with the staff making such accounting entries. Additionally, a review by a knowledgeable management individual should be implemented to ensure that someone other than the individual making the entry is reviewing the entries for newly executed agreements to determine their accuracy. Each year, a thorough analysis of all long-term notes receivable balances should be performed to ensure that amounts are still considered collectible.

Views of Responsible Officials

The City agrees that there was confusion in the recognition of these receivables that resulted in the corrections indicated. The City believes this will not be repeated in the future and are reviewing the status of our surety on these loans. The City still has the legal right to go after the individuals and not just the property.

06-09 Review of Conversion Entries for Government-Wide Financial Statements – Material Weakness

Comment and Recommendation

The City utilizes a manual (i.e. excel worksheet) methodology to convert the fund financial statements to the government-wide financial statements for year end financial reporting. During the audit process, it was determined that certain revenues on the manual worksheet were not appropriately classified and thus a misclassification of these revenues occurred for the government-wide financial statements.

We recommend the City implement a review procedure for the year-end conversion process so that errors can be discovered by the City's employees. The individual performing this review procedure should be someone other than the individual preparing the conversion worksheet.

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Views of Responsible Officials

The City agrees and with the additional staff we have hired, this should be possible.

06-10 Waterworks Capital Asset Transactions – Material Weakness

Comment and Recommendation

The Waterworks proprietary fund often has unusual transactions associated with capital assets. During the current year, there were transactions related to the sales of capital assets to third parties and the recording of capitalized interest. While the calculation of capitalized interest was performed correctly, the City did not appropriately record such amounts in the financial accounting system at year end. Additionally, there were three separate large sales of capital assets in the current year and for two of these, the City made significant errors in the recording of these transactions.

We recommend the City implement a management review of the accounting for capital asset transactions, particularly those outside of the recording of the typical addition of such assets. This review should ensure that the accounting entries made to record such transactions are accurate and complete. A management review will provide strengthened internal controls over the financial reporting of capital assets.

Views of Responsible Officials

One of the staff positions added is a Chief Financial Officer for the Waterworks. This additional layer of management should improve the accounting for this area.

06-11 Timely Reconciliations of Cash and Trust Accounts

Comment and Recommendation

The preparation of cash reconciliations is a key internal control in the financial accounting process. Reconciliations should be performed on a timely basis and appropriately reviewed and approved in order to be effective. During the current year, we noted several areas where internal controls related to cash reconciliations did not operate effectively:

- Cash reconciliations were not performed on a timely basis. We noted that for some cash accounts, the December 2006 reconciliations were not completed until May 2007.
- The payroll cash account reconciliations throughout the year contained some minor unreconciled differences that were not fully identified as to the nature and cause of the reconciling items. Therefore, the reconciliations were not considered completed as City personnel were still trying to identify the nature of the unreconciled differences. Since the reconciliations were not considered to be complete, they were not forwarded to management for a proper review and approval.

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- The City maintains numerous trust accounts, which primarily are utilized to invest bond proceeds. The City receives monthly statements on these accounts; however, the City is only performing reconciliations at year end. This results in disbursements and interest income, which occur throughout the year, only being recorded during the year-end closing process. Additionally, some trust accounts for new debt issuances are not being set up in the accounting system on a timely basis.

We recommend the City reconcile all cash and trust accounts on a timely basis. All reconciliations should be completed monthly and reviewed by an individual other than the preparer. This review should be formally documented on the reconciliation to evidence such review and approval.

Views of Responsible Officials

The norm has been for the reconciliations to be performed on a timely basis. There were certain conditions outside of the City's control that contributed to the delay for 2006. These conditions have been reviewed and will improve in 2007.

06-12 Reconciliation of Transfers

Comment and Recommendation

The City reconciles transfers and ensures that they are properly stated for financial reporting purposes as a final step prior to issuance of the financial statements. During the current year, we identified an error in the transfer amount of one of the funds. While it is probable that the City would have eventually discovered this error prior to the issuance of the financial statements, this reconciliation is not performed on a timely basis.

We recommend the City reconcile transfers on a timely basis to ensure that transfers in each fund are properly stated.

Views of Responsible Officials

The City intends to begin our review of transfers more timely for 2007.

06-13 Recording of Accounts Payable

Comment and Recommendation

Accounts payable for financial reporting purposes are recorded primarily based on a review of subsequent year cash disbursements and determining whether or not such disbursements relate to the current year. During our testwork on subsequent year cash disbursements to determine the accuracy of the recorded accounts payable amounts, we identified several items that were not properly accrued. Additionally, we identified one item that was accrued in the prior year, but was not appropriately reversed in the current year thus creating an unsupported current year accounts payable.

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We recommend the City ensure that all amounts that should be accrued as accounts payable are appropriately accrued and that prior year accruals are accurately and completely reversed prior to the recording of the current year amounts.

Views of Responsible Officials

The City agrees and will work to assure that all accruals are properly recorded.

(3) Findings and Questioned Costs relating to Federal Awards

06-01

to

06-13 See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

06-14 Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grant/Entitlement Grants*, 2006, U.S. Department of Housing and Urban Development, Grant Number B-06-MC-18-007

Criteria

Office of Management and Budget Circular A-133 (OMB A-133) § __.400(d) specifies that a pass-through entity should ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the applicable audit requirements. Additionally, the pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition Found

During 2006, one of the City's subrecipients under this federal program expended \$958,915. While the City had obtained the subrecipient's OMB A-133 audit report, they did not detect that the subrecipient had erroneously omitted the entire amount of the expenditures received under this program from the City on their schedule of expenditures of federal awards.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this finding is that the City is not adequately reviewing the OMB A-133 audit reports that it is receiving from its subrecipients.

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Recommendation

We recommend that the City review its procedures for receiving and reviewing subrecipients' OMB A-133 audit reports. These reviews should be performed by a knowledgeable individual and should ensure that the amounts reported by the subrecipient reconcile to the City's records. Any discrepancies should be investigated and resolved on a timely basis with communication and corrective actions undertaken with the subrecipients as necessary.

Views of Responsible Officials

City staff reviewed the OMB A-133 audit and determined that the \$958,915 was included in the audit as a liability, but was not included on the schedule of expenditures of federal awards. Subrecipient monitoring processes are being updated to improve internal control and overall management of all grant requirements.

06-15 Reporting

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2006, U.S. Department of Housing and Urban Development, Grant Number B-06-MC-18-007

Criteria

The Community Development Block Grant program requires the City to report federal expenditures under the program both through the Integrated Data Investment System (IDIS) and in the filing of a quarterly financial report under the Payment Management System (Form PMS-272). The 2006 Compliance Supplement indicates that the auditor should trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of federal awards and verify agreement.

Condition Found

During 2006, the City expended \$570,840 of expenditures under this program that were not properly reported in the Form PMS-272. These expenditures were correctly reported and reimbursed to the City through IDIS.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this condition is that the City has not properly reported all of the expenditures under this program in their federal reporting.

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Recommendation

We recommend that the City revised their procedures for preparation of the Form PMS-272 to ensure that an appropriate reconciliation is performed to the financial accounting records to ensure that the reporting is complete and accurate.

Views of Responsible Officials

Reporting processes are being updated to improve internal control and overall management of all grant requirements. City personnel will ensure that quarterly financial reports are properly reconciled to IDIS and the Form PMS-272.

06-16 Subrecipient Monitoring

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.218, *Community Development Block Grants/Entitlement Grants*, 2006, U.S. Department of Housing and Urban Development, Grant Number B-06-MC-18-007

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development; Various grant numbers

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

CFDA No. 97.008 *Urban Areas Security Initiative*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Number C44P-5-240

Criteria

According to OMB Circular A-133 §__.400(d)(1) and the 2006 Compliance Supplement, a pass-through entity is responsible for award identification. At the time of the award, the pass-through entity must identify to the subrecipient the federal award information, which includes the CFDA title and number, award name, name of federal agency, and applicable compliance requirements.

Condition Found

The City typically utilizes a standard agreement with their subrecipients, which communicates the above requirements. However, during 2006, an agreement was executed with one subrecipient of the Community Development Block Grant Program, which was outside of the normal City process due to the unique circumstance of the award. Thus the standard subrecipient agreement was not utilized. The agreement executed with this subrecipient contained the federal award program name, but did not contain the CFDA number of the program.

For the Supportive Housing Program, the City included the name of the federal program, but not the related CFDA number on agreements for eleven (11) of their subrecipient agreements. These are

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agreements that were executed several years ago and more recent agreements with the subrecipients did include the CFDA number.

For the Urban Areas Security Initiative, the City included the name of the federal program, but not the related CFDA number on agreements for one subrecipient. This was the only subrecipient of this program in 2006.

For the Home Investment Partnerships Program, the City included the name of the federal program, but not the related CFDA number on agreements for 1 of the 20 subrecipients for this program.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this finding is that the subrecipients of the City do not have the complete identifying information required. The identification of all federal award information is vital so that the subrecipient is fully aware of the federal origin of the grant funding and hence the compliance requirements. In the case of the subrecipient for the Community Development Block Grant Program, this subrecipient did not properly include any of the expenditures received from the City under this federal program on their schedule of expenditures of federal awards (see finding 06-11).

Recommendation

We recommend that the City ensure that all agreements with subrecipients include the CFDA number to ensure that the subrecipient is aware of the source and requirements of the funds that they are receiving.

Views of Responsible Officials

We agree with the finding for the Community Development Block Grants/Entitlement Grants Program that the vital federal award information was omitted. However, the contract executed for this subrecipient was outside of the normal City process due to the unusual nature of this grant (i.e. HUD selected the subrecipient and required specific involvement by the City). This discrepancy has been addressed and processes amended to include verification and approval of all documentation in these specific types of instances.

The City's stance for Supportive Housing Program is that the 11 agreements in question are for terms over multiple years, which were executed several years ago. The subrecipients were verbally notified in 2006 for this initial finding, which was reported in our 2004 Single Audit Report and have since been notified via documentation memo on the subject.

We agree with the finding for the Urban Areas Security Initiative agreement drafted in 2005. The subrecipient of this program in 2006 has been notified of the CFDA number via electronic documentation.

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We agree with the finding for the Home Investment Partnerships Program that the vital federal award information was omitted. However, the contract executed for this subrecipient was outside of the normal City process due to the unusual nature of this grant (i.e. the U.S. Department of Housing and Urban Development selected the subrecipient and required specific involvement by the City). This discrepancy has been addressed and processes amended to include verification and approval of all documentation in these specific types of instances.

06-17 *Cash Management*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.235, *Supportive Housing Program*, U.S. Department of Housing and Urban Development, Various grant numbers

Criteria

According to the 2006 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

Condition Found

In our sample of thirty (30) expenditures, we found that two (2) expenditures had disbursement dates that were after the date of the related drawdown of the federal funds. The elapsed time for these two items was 4 and 25 days, respectively. The total associated dollar amount of these expenditures was \$29,004 or 4.6% of the total population of expenditures of \$2,353,068.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this finding is that the City is not following the requirements of the cash management compliance requirement for reimbursement grants and is requesting federal funds before the payment of the expenditures with local funds.

Recommendation

We recommend that the City review their procedures for requesting reimbursement of federal funds to ensure that reimbursement requests are made after the payment of the expenditure with local funds.

Views of Responsible Officials

The City is following a procedure that follows the requirements of cash management compliance for reimbursement of federal funds. However, due to a holiday schedule (4-day test) and human error (25-day test), we agree there were 2 test samples that were not in compliance. The City will be more

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cautious in calculating compliance processing during holiday downtime and more diligent in follow-up timeframe for human error corrections.

06-18 *Procurement and Suspension and Debarment*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 97.008 *Urban Areas Security Initiative*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Number C44P-5-240

CFDA Nos. 16.007/97.004/97.067/97.071 *Homeland Security Grant Program Cluster*, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security; Grant Number C44P-6-007, C44P-7-031, C44P-7-022, C44P-7-122, C44-P-7-474, EMW-2004-GR-0663, C44P-5-240, and DHS FY03 PT 01, 02, 03

Criteria

Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services awarded that are expected to equal or exceed \$25,000 or which meet certain other specified criteria and all nonprocurement transactions (e.g., subawards to subrecipients).

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition Found

During our Procurement and Suspension and Debarment testwork within the Urban Areas Security Initiative program and the Homeland Security Grant Program Cluster, it was noted that the City did not have internal controls in place to assure that its subrecipients and vendors, which met the requirements were not suspended and/or debarred. For the Urban Areas Security Initiative Program, we tested a total of three vendors or subrecipients with total expenditures of \$3,825,612, which represented nearly 100% of total program expenditures for 2006. For the Homeland Security Grant Program Cluster, we tested a total of 16 vendors, which had expenditures of \$2,790,978. This represented 94% of total program expenditures for 2006.

Questioned Costs

There are no questioned costs associated with this finding.

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Possible Asserted Cause and Effect

The effect of this condition is that the City could enter into procurement transactions with vendors that are suspended or debarred. During our testing, we found that none of the vendors were suspended or debarred.

Recommendation

We recommend that the City implement policies and procedures to make sure that all contractors are reviewed for debarred and/or suspended status or that certification is received to that extent.

Views of Responsible Officials

The City has implemented language in our contracts as well as printing the debarment verification from the EPLS web site. However, there was a cross over time in 2006 where some items could have been missed in printing out the debarment verification screen print. The process in this department at that time was to “review” the web site to verify the vendors were in good standing. The verification process was completed, but no documentation for audit purposes was available. We accept the finding and corrections have been in place since the end of 2006 to rectify this finding.

06-19 *Equipment and Real Property Management*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA Nos. 16.007/97.004/97.067/97.071 *Homeland Security Grant Program Cluster*, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security; Grant Number C44P-6-007, C44P-7-031, C44P-7-022, C44P-7-122, C44-P-7-474, EMW-2004-GR-0663, C44P-5-240, and DHS FY03 PT 01, 02, 03

Criteria

Subrecipients of states who are local governments or Indian tribes shall use state laws and procedures for equipment acquired under a subgrant from a state. The grant agreements from the Indiana Department of Homeland Security indicate that the City must comply with the applicable federal requirements pertaining to equipment in 28 CFR 66.32, which indicates that the City must maintain records that include the following:

- A description of the property
- Manufacturer’s serial number or other identification number
- Source of the property
- Identification of the title holder
- Acquisition date
- Cost of the property
- Percentage of federal participation in the cost of the property
- Location of the property
- Condition of the property
- The ultimate disposition of the property, including the date of disposal and sales price

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Condition Found

During our testing on this compliance requirement, we sampled 10 items totaling \$1,729,653, which represent 99% of the population subject to this compliance requirement. For three of the items totaling \$452,300, the City did not include the equipment on their listing of property that is required to be maintained.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

There are not adequate internal controls in place to identify equipment under federal awards and there are no procedures in place to ensure that the expenditures are reconciled to the property records.

Recommendation

We recommend that the City implement internal controls to ensure that all equipment funded through federal awards is maintained in the property records in accordance with the grant and state/federal requirements.

Views of Responsible Officials

The City has adequate internal controls to identify and record in the capital asset reporting system most of the capital equipment. The City also has procedures for reconciling most of the capital expenditures to the capital asset system. The exceptions noted apparently were those that were not coded by the operating department as capital expenditures. We agree that additional controls should be implemented to identify all capital expenditures.

06-20 *Equipment and Real Property Management*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA Nos. 16.007/97.004/97.067/97.071 *Homeland Security Grant Program Cluster*, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security; Grant Number C44P-6-007, C44P-7-031, C44P-7-022, C44P-7-122, C44-P-7-474, EMW-2004-GR-0663, C44P-5-240, and DHS FY03 PT 01, 02, 03

Criteria

Subrecipients of states who are local governments or Indian tribes shall use state laws and procedures for equipment acquired under a subgrant from a state. The grant agreements from the Indiana Department of Homeland Security indicate that the City must comply with the applicable federal requirements pertaining to equipment in 28 CFR 66.32, which indicates that the City must take a physical inventory of the property and the result reconciled with the property records at least once every two years. Any differences between quantities determined by the physical inspection and those in the

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accounting records shall be investigated to determine the cause of the difference. The City is required to verify the existence, current utilization, current location, and continued need for the property.

Condition Found

The City has expended funds under this grant program dating back to calendar year 2004; however, the City has not taken a physical inventory of the equipment. There are no internal control procedures in place to ensure that the timing for a physical inventory is monitored and appropriately taken.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management does not monitor the requirement for a physical inventory and there is no employee that is responsible for the inventory being conducted. A physical inventory assures that the equipment is appropriately being utilized, maintained, and safeguarded.

Recommendation

We recommend that the City implement internal controls to ensure that the requirement for a physical inventory at least every two years is monitored and completed. These procedures should also ensure that the results obtained are reconciled with the City's accounting records and any differences are investigated and resolved.

Views of Responsible Officials

Physical inventories of capital assets were conducted by operating departments in the last quarter of 2007 under the direction of the OFM. The results of those inventories have been or will be compared to the capital asset reporting system and investigation and adjustment made accordingly.

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06-21 *Equipment and Real Property Management*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 97.008 *Urban Areas Security Initiative*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Number C44P-5-240

Criteria

Subrecipients of states who are local governments or Indian tribes shall use state laws and procedures for equipment acquired under a subgrant from a state. The grant agreements from the Indiana Department of Homeland Security indicate that the City must comply with the applicable federal requirements pertaining to equipment in 28 CFR 66.32, which indicates that the City must maintain records for equipment purchased with federal awards that include the following:

- A description of the property
- Manufacturer's serial number or other identification number
- Source of the property
- Identification of the title holder
- Acquisition date
- Cost of the property
- Percentage of federal participation in the cost of the property
- Location of the property
- Condition of the property
- The ultimate disposition of the property, including the date of disposal and sales price

Condition Found

During our testing on this compliance requirement, we sampled three items totaling \$2,015,806, which represent 100% of the population subject to this compliance requirement. For each of the three items, the City did not include the equipment on their listing of property that is required to be maintained.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

There are not adequate internal controls in place to identify equipment under federal awards and there are no procedures in place to ensure that the expenditures are reconciled to the property records.

Recommendation

We recommend that the City implement internal controls to ensure that all equipment funded through federal awards is maintained in the property records in accordance with the grant and state/federal requirements.

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Views of Responsible Officials

The City has adequate internal controls to identify and record in the capital asset reporting system most of the capital equipment. The City also has procedures for reconciling most of the capital expenditures to the capital asset system. The exceptions noted apparently were those that were not coded by the operating department as capital expenditures. We agree that additional controls should be implemented to identify all capital expenditures.

06-22 *Subrecipient Monitoring*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 97.008 *Urban Areas Security Initiative*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Number C44P-5-240

Criteria

According to OMB Circular A-133 §__.400(d) and the 2006 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management decisions on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

Condition Found

The City had a total of one subrecipient with expenditures under this grant in 2006. These subrecipient expenditures amounted to \$1,727,793. In calendar year 2005, this same subrecipient had expenditures of \$857,780. The City does not have adequate internal controls in place to ensure that subrecipient audits are received or that the results of any audits are appropriately reviewed and documented. The City did not obtain the audit report of its subrecipient. Additionally, we obtained this audit report and noted that there were audit findings related to the Urban Areas Security Initiative grant and that the City did not issue any management decisions or ensure appropriate and timely corrective action by the subrecipient.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that follow-up on obtaining and reviewing the subrecipient audit report(s) is not occurring due to a shortage of personnel qualified to perform such reviews. The effect of this finding is that subrecipient audit reports may indicate audit findings that the City is required to issue management decisions as the pass-through entity and they would not do so. Additionally, the City is required to assess the subrecipient's noncompliance to determine if it is necessary to report such noncompliance on the City's own audit report.

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Recommendation

We recommend that the City implement internal control procedures to ensure that subrecipient audits are appropriately completed and received by the City. Documentation should include attestation from the subrecipient if they are not subject to OMB Circular A-133 requirements. Additionally, management should implement internal control procedures to document the management review of the subrecipient audit reports, which would include the issuing of management decisions on any findings and the consideration of any subrecipient audit findings and their effect on the City's compliance and need to report such finding within its own audit report.

Views of Responsible Officials

Subrecipient monitoring processes are being reviewed to improve internal control and overall management of all grant requirements.

06-23 *Procurement and Suspension and Debarment*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 97.008 *Urban Areas Security Initiative*, Department of Homeland Security passed through the Indiana Department of Homeland Security; Grant Number C44P-5-240

CFDA Nos. 16.007/97.004/97.067/97.071 *Homeland Security Grant Program Cluster*, Department of Homeland Security direct and passed through the Indiana Department of Homeland Security; Grant Number C44P-6-007, C44P-7-031, C44P-7-022, C44P-7-122, C44P-7-474, EMW-2004-GR-0663, C44P-5-240, and DHS FY03 PT 01, 02, 03

Criteria

The Indiana Department of Homeland Security grants require that the City comply with Title 28 CFR Part 66 Section 66.36 regarding procurement. Subpart (d) of that section indicates that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403 (11), which is currently set at \$100,000. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

Condition Found

For the Urban Areas Security Initiative grant program, we tested three vendors with total expenditures of \$3,825,612, which comprised all of the vendors under the program in 2006 and accounted for almost 100% of the total expenditures under the program. Of these 3 vendors, one qualified under the small purchase clause as described above. The total expenditures for this vendor under this grant program in 2006 were \$82,000. The City did not obtain any price or rate quotations relating to this procurement.

For the Homeland Security Grant Program Cluster, we tested 16 vendors with total expenditures of \$2,790,978, which comprised all of the vendors under the program in 2006 and accounted for 94% of the total \$2,975,567 expenditures under the program. Of these 16 vendors, 2 qualified under the small purchase clause as described above. The total expenditures for these two vendors under this grant

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program in 2006 were \$139,616. The City did not obtain any price or rate quotations relating to these procurements.

Questioned Costs

The questioned costs associated with this finding are \$82,000 for the Urban Areas Security Initiative program and \$139,616 for the Homeland Security Grant Program Cluster and were computed as the entire 2006 expenditures for the vendors for which no price or rate quotations were obtained.

Possible Asserted Cause and Effect

Management indicates that the lack of documented price or rate quotations for these procurements was an oversight. The effect of the lack of documentation is that open competition for procurements under federal grants is not achieved.

Recommendation

We recommend that the City implement internal control procedures to ensure that all procurements under federal grant awards are assured to follow federal and state regulations, as applicable.

Views of Responsible Officials

The specific contracts in question were for Personal/Professional Service Agreements. They were being processed at a time where there was a staffing turnover and shortage in manpower and knowledge in processing agreements. The grantor is very knowledgeable in issues regarding Homeland Security and what vendors they work with to keep certain Homeland Security issues confidential for the overall security of our state. Due to the highly specialized nature of these contracts, the City's Indianapolis Metropolitan Police Department (IMPD) grant unit followed the recommendation of the grantor in the planning meeting to use the selected vendors as they were the only known vendors capable of the desired scope of services. The City will include a rate quote as assurance of sole source selection in all future agreements to correct this finding.

06-24 *Subrecipient Monitoring*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

OMB A-133 § __.400(d)(3) and the 2006 Compliance Supplement specifies that a pass-through entity's responsibility is to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. The 2006 Compliance Supplement indicates that this monitoring can take place through reporting, site visits, regular contact, or other means.

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Additionally, according to OMB Circular A-133 §__.400(d) and the 2006 Compliance Supplement, a pass-through entity is responsible for ensuring that the required subrecipient audits are completed, issuing management decisions on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that subrecipients take appropriate and timely corrective action on all audit findings.

Condition Found

The City maintains a monitoring schedule of all Home Investment Partnerships Program's subrecipients to facilitate annual site visits to fulfill the during the award monitoring requirements. There were a total of 20 subrecipients under this grant program with total grant expenditures in 2006 of \$3,497,905. We tested a sample of 20 and determined that 3 of the subrecipients were not properly listed on the City's monitoring schedule and thus site visits were not performed for 2006. These three subrecipients had total 2006 expenditures of \$376,027. Additionally, one other subrecipient, which was listed on the monitoring schedule, did not have a site visit performed in 2006. The total expenditures for this subrecipient were \$900,800.

We also determined, through our testwork, that one of the City's subrecipients had not properly included the HOME funds that the City has passed through to them on their OMB A-133 audit report. The amount of funding provided to this subrecipient during the City's fiscal year was \$155,631. The City was not aware of this exclusion.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that the lack of subrecipient monitoring was an oversight in 2006. As the site visits are a key component of the City's subrecipient monitoring internal controls, the effect of this finding is that subrecipients are not adequately monitored for compliance. The City was not aware of the exclusion of the federal funding from the subrecipient's OMB A-133 audit report as the review of such report was not adequately performed.

Recommendation

We recommend that the City implement internal control procedures to ensure that all subrecipients are properly listed on the monitoring schedule. In cases where it is determined that a site visit is not necessary, the rationale for this decision should be clearly documented. Additionally, subrecipients' OMB A-133 audit reports should be reviewed to ensure that all funding provided to the subrecipient is included in their reporting.

Views of Responsible Officials

The City agrees that three of its Project Sponsors were not monitored in the 2006 program year. Two of the three projects were City-sponsored and City Project Managers were assigned to each of these HOME-funded city projects. Each Project Manager was on the project site at least weekly, reviewed all

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claims for accuracy and compliance prior to the HOME Team review process. In addition, each Project Manager assisted with regulatory questions, federal compliance, and overall project progress. These projects received more oversight and review than most HOME-funded projects and the City staff felt that this satisfied the monitoring requirements. The third project was not monitored due to an oversight and a shift in staff responsibilities. To improve internal controls, a monitoring spreadsheet has been established to track all HOME-funded projects, including the scheduled monitoring visits and completion date of monitoring and corrective actions (if required).

06-25 *Special Tests and Provisions – Maximum Per Unit Subsidy*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

According to 24 CFR Section 92.250, the per unit investment of HOME funds may not exceed the Federal Housing Administration mortgage limits in Subsection 221(d)(3) of the National Housing Act, including any area-wide high cost exceptions approved by the U.S. Department of Housing and Urban Development. In mixed-income or mixed-use projects, the average per unit investment in HOME-assisted units may not exceed the applicable Subsection 221(d)(3) limit. Participating jurisdictions are required to evaluate each housing project in accordance with guidelines that it adopts to ensure that the combination of federal assistance to the project is not any more than is necessary to provide affordable housing.

Condition Found

The City did not have any internal controls in place that were operating effectively to ensure that the City is in compliance with the maximum per unit subsidy requirement. We selected a sample of four projects that represented 100% of the population subject to this compliance requirement for 2006. All were in compliance with the maximum per unit subsidy requirement.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that the lack of internal controls for this compliance requirement was an oversight. The effect of not effectively monitoring and documenting the City's compliance is that a project may not appropriately meet the requirements.

Recommendation

We recommend that the City implement internal controls to monitor the City's compliance with the maximum per unit subsidy requirement.

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Views of Responsible Officials

The City does have a maximum per unit subsidy amount for HOME funds included in its Federal Grant Management Policies document. This document is attached to all HOME agreements and is contractually binding. The City's maximum per unit subsidy amount in the Policies document is well below the HUD maximum per unit subsidy amount. This is evident by the fact that we did not exceed the HUD maximum per unit subsidy amount on any of our projects. To accurately document and improve our internal controls, the City has established a spreadsheet, "HOME Maximum Per Unit Subsidy" that tracks HOME subsidized projects to ensure the per unit investment of HOME funds does not exceed the FHA mortgage limits in Subsection 221(d) 3 of the National Housing Act.

06-26 *Special Tests and Provisions – Housing Quality Standards*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

According to 24 CFR Section 92.2501, 92.252, and 92.504(b), during the period of affordability (i.e. the period for which the nonfederal entity must maintain subsidized housing) for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every 3 years for projects containing 1 to 4 units; (b) every 2 years for projects containing 5 to 25 units; and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards.

Condition Found

We selected 30 projects from a total population of 33 projects to test the City's compliance with the Housing Quality Standards requirement. A total of 8 projects in our sample were not inspected within the appropriate guidelines as stated above.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that the lack of internal controls for this compliance requirement was an oversight. The effect of not effectively monitoring and documenting the City's compliance is that a project may not appropriately meet the requirements of the Housing Quality Standards special test and provision.

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Recommendation

We recommend that the City implement internal controls to monitor and document the City's compliance with the Housing Quality Standards requirements.

Views of Responsible Officials

Every effort is made to include all projects that are scheduled for inspection, based on total project size, for annual, every other year and every third-year inspection cycles. The lack of any internal control was an oversight. The City already has several spreadsheets prepared for the audit that tracks projects to ensure the appropriate projects are properly scheduled for their inspection cycles. Staff will review and update spreadsheets to maintain current information. Staff will also strive to avoid any error in tracking and monitoring projects requiring on-site physical inspections in any given year. All projects inspected are subject to meeting Housing Quality Standards and the HOME Program Property Standards requirements.

06-27 Eligibility

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

The HOME program has income targeting requirements. Only low-income or very low-income persons, as defined in 24 CFR Section 92.2, can receive housing assistance. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income, as provided for in 24 CFR Section 92.203. Participating jurisdictions must maintain records for each family assisted (24 CFR Section 92.508).

HOME-assisted units in a rental housing project must, pursuant to 24 CFR 92.216(a), be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The requirements also apply to the HOME-assisted nonowner occupied single-family housing purchased with HOME funds. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under 24 CFR Section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area as determined by the U.S. Department of Housing and Urban Development with adjustments for the number of bedroom units. In rental projects with five or more units there are additional rent limitations. Twenty percent of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for larger or smaller families; or (2) the rent does not exceed 30 percent of the families adjusted income (24 CFR Section 92.252).

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Condition Found

The City did not have internal controls in place that were operating effectively to ensure that the eligibility requirements were being redetermined annually. However, we tested for the City's compliance with the eligibility compliance requirement and found the City to be in compliance.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that the City does have internal controls that are designed appropriately to monitor the City's compliance with eligibility; however, due to shortage of staff the control was not being performed. The effect of not having an internal control that is operating effectively is that HOME assistance could be provided to ineligible individuals.

Recommendation

We recommend that the City ensure that internal controls are functioning effectively to monitor the City's compliance with the eligibility requirements.

Views of Responsible Officials

The City is aware of this finding and agrees that it must improve its performance in monitoring and tracking the submittal and review of Annual Recertification's of tenant income and occupancy from property owners and managers for each active project in the completed rental portfolio. A more focused effort is being made by staff to notify and follow up with property owners and managers to timely submit their annual recertification packages in the anniversary month of their projects' completion. Associated with the recertifications, we will be timely in performing the On-site Tenant File Reviews for those projects whose schedules rotate on annual, every other year or every third year inspection cycles. Internal controls for these activities include the word spreadsheets created to track annual recertifications and monitoring tenant file reviews by the project's anniversary month. These spreadsheets will be updated on an ongoing basis.

06-28 *Matching, Level of Effort, Earmarking – Rental Properties – Scope Limitation*

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

According to 24 CFR section 92.216, each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not

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less than 90 percent of (1) the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later or (2) the dwelling units assisted with such funds are occupied by families having such incomes.

Condition Found

The City did not have internal controls in place that were operating effectively to ensure that the City complies with the above earmarking requirements. Additionally, since we were not able to obtain documentation of the overall status of each of the City's rental assistance properties and the percentage of those dwellings that met the 60 percent requirement, we were not able to determine whether or not the City was in compliance with the 90 percent earmarking requirement.

Questioned Costs

The questioned costs, if any, associated with this finding are not determinable.

Possible Asserted Cause and Effect

Management indicates that the City does have internal controls that are designed appropriately to monitor the City's compliance with earmarking; however, due to shortage of staff the control was not being performed. The effect of not having an internal control in place that is operating effectively is that HOME assistance could be provided by the City that is not allowable under the earmarking requirements.

Recommendation

We recommend that the City ensure that internal controls are functioning effectively to monitor the City's compliance with the earmarking requirements.

Views of Responsible Officials

The Project Agreement between the City and the owner/developer stipulates the minimum earmarking requirements that must be met before execution of the contract, and obtaining the HOME Rental Completion Report from the owner/developer after the project is completed. It is then reviewed and approved and entered into IDIS. A HOME Rental Projects Earmarking spreadsheet has been created to track and monitor funded projects for audit purposes.

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06-29 Matching, Level of Effort, Earmarking

Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number

CFDA No. 14.239 *Home Investment Partnerships Program*, U.S. Department of Housing and Urban Development; Grant Number not available

Criteria

According to 24 CFR section 92.218 through 92.220, 92.222, and 92.508, each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. The match must be provided by the end of the fiscal year. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. Matching information is provided on the HOME Match Report (HUD-40107-A). Additionally, 24 CFR section 92.221 indicates that the match should be credited generally in the year of disbursement.

Condition Found

For fiscal year ending December 31, 2006, the City reported \$4,545,694 total match amounts on the HOME Match Report (HUD-40107-A). In our sample of seven match items, which constituted 98 percent of the total match amount claimed by the City, three of the items did not have adequate documentation to support the date of the match and we could not determine that these amounts were appropriately reported for 2006. We did, however, determine that they were allowable match items. These three items totaled \$1,279,591. Further, the HOME Match Report indicates that the required match amount for fiscal year 2006 was \$964,000 and thus the City was in compliance with the match amount even if the three items totaling \$1,279,591 were excluded.

Questioned Costs

The questioned costs, if any, associated with this finding are not determinable.

Possible Asserted Cause and Effect

Management indicates that the City does have internal controls that are designed appropriately to monitor the City's compliance with earmarking; however, due to shortage of staff the control was not being performed. The effect of not having an internal control in place that is operating effectively is that HOME assistance could be provided by the City that is not allowable under the earmarking requirements.

Recommendation

We recommend that the City ensure that internal controls are functioning effectively to monitor the City's compliance with the earmarking requirements.

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The City obtains documentation from third parties to support the match amounts claimed for the HOME program. The City will obtain definitive documentation from those third parties as to the actual dates of disbursement or other dates, as necessary, to support the date claimed for match purposes.

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Status of Prior Year Findings

Year ended December 31, 2006

Reference	Finding	Status	Contact Person(s)
03-1, 04-1, 05-1	Financial Reporting for Waterworks Items for which the City is accounting for on the cash basis of accounting should be re-evaluated so that these activities may be properly reflected on the accrual basis of accounting. Or, procedures should be implemented to ensure that these activities are properly converted to the accrual basis of accounting for year-end reporting.	Correction in Progress See 2006 Finding and Corrective Action Plan	Rob Erney (317) 327-4296 rerney@indygov.org
05-2, 05-9	Equipment and Real Property Management Proper asset records for equipment are not being maintained. A physical inventory has not been completed and reconciled to equipment records.	Correction in Progress. See current year Finding 06-20 and 06-21 and Corrective Action Plan	Bob Simmons (317) 327-5281 basimmon@indygov.org
05-3, 05-7	Procurement Suspension and Debarment Suspension and Debarment Verification is not being certified according to internal controls in place.	Correction in Progress. See current year Finding 06-18 and Corrective Action Plan	Jeanene Swiezy (317) 327-4143 jswiezy@indygov.org
05-4	Subrecipient Monitoring CFDA numbers missing from Subrecipient Agreements.	Correction in Progress. See current year Finding 06-16 and Corrective Action Plan	Jeanene Swiezy (317) 327-4143 jswiezy@indygov.org
05-5	CDBG Program Income and Reporting Improper reporting of Program Income in IDIS. Corrective Action: All Program Income to date has been reported and accounted for appropriately.	Corrected	Jeanene Swiezy (317) 327-4143 jswiezy@indygov.org
05-6	Homeland Security Allowable Costs Questioned costs were unable to be audited due to a missing agreement.	Corrected	Jeanene Swiezy (317) 327-4143 jswiezy@indygov.org
05-8	DHS Cluster-Cash Management Funds received in advance on several grants and were not spent in a timely manner. Additionally, no interest earned was calculated on the advances of federal funds. Corrective Action: The funds were sent in advance in error and the funds have been returned.	Funds were returned to grantor. No correspondence received from grantor regarding further corrective action to be taken.	Jeanene Swiezy (317) 327-4143 jswiezy@indygov.org